



City of Sunnyvale California



Comprehensive Annual Financial Report
For the Fiscal Year ended June 30, 2003

Comprehensive Annual Financial Report

For The Fiscal Year Ended

June 30, 2003



City of Sunnyvale

650 West Olive Avenue

Sunnyvale, California 94086

(408) 730-7380

Prepared by the Department of Finance

Mary J. Bradley, Director of Finance

Introductory Section

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City of SUNNYVALE

Department of Finance
650 West Olive Avenue
Sunnyvale, California 94086
408-730-7380

October 16, 2003

***Honorable Mayor and Members of the City Council
City of Sunnyvale, California***

We are pleased to submit the City of Sunnyvale's (City) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. The City Charter (Section 1318) requires that a licensed Certified Public Accountant conduct an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to City Council. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. Management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City of Sunnyvale, City staff, creditors, investors and other concerned readers. We encourage all readers to contact the Department of Finance with any questions or comments concerning this report.

The City's financial statements have been audited by Caporicci & Larson, CPAs, a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2003, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unqualified opinion which states that the City's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2003

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Reports.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

This report is divided into three sections:

- The **Introductory Section** includes this letter of transmittal, an organizational overview of the City government and prior awards received.
- The **Financial Section** consists of the independent auditors' report, Management's Discussion and Analysis, Basic Financial Statements (which include the Government-Wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements and Required Supplementary Information) and a Supplementary Section containing the Combining and Individual Fund Financial Statements and Schedules.
- The **Statistical Section** includes a number of tables of unaudited data depicting the financial history of the City, demographics and other selected information about the City.

The Reporting Entity and Its Services

The City of Sunnyvale was incorporated December 24, 1912. The original Charter of the City was prepared in accordance with the provisions of Section 8, Article XI of the Constitution of the State of California and became effective on May 18, 1949. The City operates under a Council-Manager form of government. There are seven Council Members elected by seat number for staggered four-year terms, with a two-term limit. The City Manager and City Attorney are appointed by the City Council.

In defining the reporting entity, we have included the City's component units, which are the Sunnyvale Redevelopment Agency, Sunnyvale Financing Authority and Community Facilities Districts No.1 and No.2 because the City Council has financial accountability for all. There are no other governmental units over which the City Council has financial accountability.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2003

The Reporting Entity and Its Services, Continued

The City provides the full range of municipal services contemplated by its Charter. These include:

- Public Safety (police and fire)
- Library
- Parks
- Recreation
- Water
- Wastewater
- Solid Waste
- Golf (two municipal golf courses)
- Traffic engineering
- Street maintenance
- Community Development (planning and zoning)
- Public improvements
- General administrative services.

The City utilizes various Boards and Commissions in the conduct of its affairs. A Directory of Boards and Commissions is provided within this report. Boards and Commissions required by the City Charter are:

- Board of Library Trustees
- Heritage Preservation Commission
- Parks and Recreation Commission
- Personnel Board
- Planning Commission

All other boards and commissions were established by the authority of the City Council. These are the:

- Advisory Council to the Council on Aging
- Arts Commission
- Bicycle and Pedestrian Advisory Committee
- Board of Building Code Appeals
- Child Care Advisory Board
- Housing and Human Services Commission

Although certain Boards and Commissions have specific powers granted by the City Charter, for the most part all act in an advisory capacity to the City Council.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2003

Accounting System and Budgetary Control

For fiscal year 2003 budgetary control was maintained at the department and fund level. However, the City's concept of budgetary control involves more than financial control of appropriations. The City's Planning and Management System (PAMS) establishes or revises the City's General Plan elements and sub-elements through the coordinated efforts of citizens, the City Council, Boards and Commissions, program managers, and employees. The General Plan goals and objectives reflect the City's highest legislative policy and all actions taken must be consistent with them. In this respect, budgetary control involves budgeting for only those programs authorized in the General Plan.

A part of PAMS is the City's Outcome Management System, in which each program is viewed as a collection of service delivery plans, which must be consistent with the General Plan.

Performance measures are used for each service delivery plan to evaluate the effectiveness of services delivered. The basic cost center in the system is an activity (about 3,600 in all) which is used to budget and capture actual costs and productivity measures.

As PAMS has evolved over the past decades, much of its emphasis has been on rigorous financial planning and performance measurement. Building on that foundation of success, PAMS is now being refined to focus more precisely on outcomes. Outcome management is the process of:

- Identifying the ultimate results desired from municipal service
- Planning for how to achieve these results
- Establishing outcome measures
- Evaluating, reporting and improving performance

Another portion of PAMS consists of the Pay for Performance System. Each of the City's program managers has a Performance Outcome Agreement based on the objectives for which the program manager is responsible. A program manager may receive more or less compensation depending upon performance related to the efficiency and effectiveness measurements described above.

Additionally, the City Council has adopted for its financial guidance a wide-range of fiscal policies, which are contained in the fiscal sub-element of the General Plan. The policies address the areas of:

- Revenues
- Capital improvements
- Debt
- Resource allocation
- Performance budget system
- Accounting and financial practices
- Reserves
- Purchasing System

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2003

City Comprehensive Annual Financial Report

The purpose of the City's Comprehensive Annual Financial Report is to summarize the administrative and operational performance of the City during the previous fiscal year. The report is part of the annual evaluation process contained within the Planning and Management System and, as such, provides both general and specific information concerning performance and accomplishments, which result from City operations.

The report is intended to highlight significant accomplishments that were achieved during the fiscal year ended June 30, 2003 and to provide a statistical analysis of City performance. The information in this report was developed from the past fiscal year's Performance Outcome Agreement Reports, computer-produced management reports, summaries of other Citywide data and Legislative Activity Reports.

Current Economic Conditions and Outlook

Just three years ago, the nation was in the longest economic expansion in U.S. history. The Silicon Valley was booming and the City's finances were buoyed by significant increases in General Fund revenues. Since that time a number of events have occurred nationally and locally that have dramatically altered our financial position.

On a national basis, the U.S. economy decelerated sharply beginning in late 2000 after experiencing nearly ten years of sustained economic growth. Gross domestic product (GDP) growth slowed from over 5% in the first half of 2000 to 1.4% by the fourth quarter of the year. After September 11th the downturn intensified. Especially significant for the City and Silicon Valley was the dot.com bust and resulting spillover effects of reduced business expenditure on computer hardware and software. This condition continued to persist in 2003.

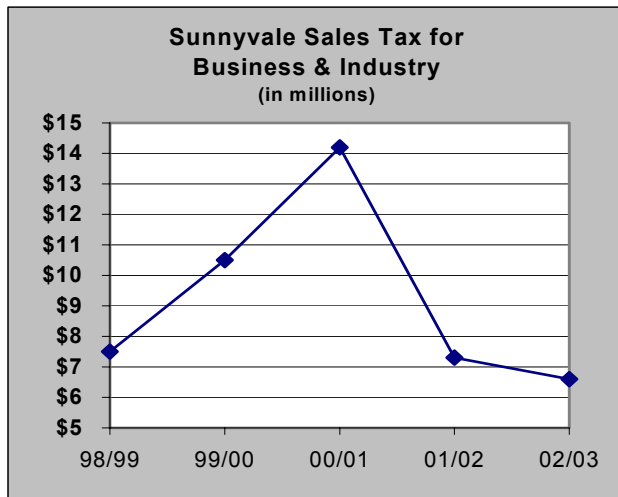
Since the economic downturn began, the Silicon Valley has lost nearly 200,000 jobs. To better put this into perspective, one noted California economist has said that if measured in terms of job loss, what we are experiencing here is on par with losses suffered during the Great Depression. After falling to record lows of around 1.3% in 2000, unemployment in Silicon Valley stands at 7.4% versus 6% nationwide. Some areas in the Valley currently are experiencing unemployment rates higher than 10%. Due to the tech-heavy concentration in our region, unemployment will likely remain higher here than the rest of the country for the near future, further slowing the pace of an economic turnaround.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2003

Current Economic Conditions and Outlook, Continued

Effect on Sunnyvale Revenues

One result for the City has been a decline in General Fund revenues, fueled by sharp drops in Sales Tax and Transient Occupancy Tax (TOT) receipts. By the end of fiscal year 2002 Sales Tax and TOT revenues dropped by 30% and 40% respectively from the records highs of fiscal year 2001. Initially, revenue projections for these and other revenue sources were anticipated to level out in



fiscal year 2003, but this was not the case. For example, TOT was 21% lower than prior year, while construction-related revenue were 20% lower. Sales Tax revenues were 13% lower than prior year.

Projected Pace of Recovery

The basis for a projected pace of recovery begins with the premise that the intensity of the Silicon Valley technology boom in 2000 was in all likelihood an anomaly that may not ever be repeated. As the graph on the left illustrates, the City's Sales Tax in the Business and Industry sector spiked by

nearly 90% from fiscal year 1999 to fiscal year 2001, before sharply returning to early 1998 levels in fiscal year 2002. This sector sustained further losses in fiscal year 2003, with revenues dropping below \$7 million for the first time since fiscal year 1991. Not coincidentally, this sharp spike parallels the huge increase and subsequent drop in State General Fund revenues that was largely fueled by capital gains and stock options.

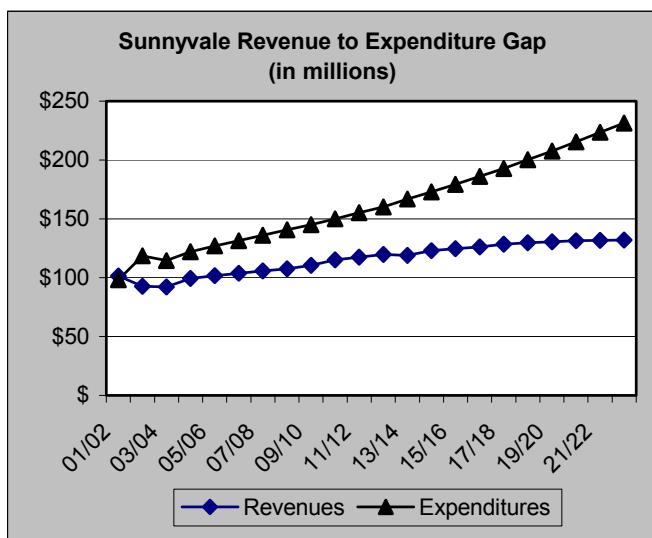
The one consistent theme from economists is that a recovery here and across the nation will be modest and slow, a theme that is echoed in our own forecasts over the Long-Term Financial Plan. Unemployment in the region remains high, but there are positive signs in the form of modest gains in earnings reports and projected increases in sales from select technology companies. Due to the tech-heavy emphasis in our region and the resulting losses in jobs, productivity and sales, the recovery here is significantly lagging the State and the rest of the country. While many other areas in California are experiencing a modest growth in Sales Tax and other revenues, Silicon Valley has not yet seen an upturn. Further, the record budget deficit at the State level will have negative effects on the State's economy in terms of reduction in employment and spending that may slow the recovery even more.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2003**Ongoing Structural Deficit**

During the previous operating budget cycle, City staff anticipated sharp increases in the areas of worker's compensation and medical insurance for fiscal year 2003 and beyond. At the same time, staff also projected increases that were several percentage points above inflation for retirement costs and base wages. These estimates proved to be too low.

Base wages have increased over and above projections due to a variety of factors. In accordance with the City's competitive compensation philosophy, adjustments had been made in recent years to move base wages to an above average position. However, due to the continued high cost of living in the Bay Area, the upward movement in the market requires additional increases to maintain the City's position. Furthermore, the current wage formula for the Sunnyvale Employee Association bargaining unit calls for movement to 2% above the average by fiscal year 2004. Additionally, the market has been impacted by the same factors discussed here and particularly in medical insurance costs, which are included in the total compensation wage calculation.

The City's retirement provider, CalPERS, continues to suffer unprecedented market losses that we must make up in the form of higher employer contribution rates. This is compounded by a significant difference between base wage projections by CalPERS (3.75%) and actual increases (9%).



The continued decline in the City's General Fund revenues and the sharp rise in personnel costs have led to an ongoing structural imbalance of revenues to expenditures in the City's General Fund. This gap is now estimated to be \$14-15 million annually. Over a twenty-year period, the gap will continue to widen considerably without corrective action, as the graph on the left depicts. In January 2003, the City Manager outlined a 6-Point Action Plan to reduce the gap through a combination of service level and expenditure reductions and potential revenue enhancements. City staff identified approximately \$13.4 million in service level and other reductions, but a portion of this

amount is comprised of purchased goods and services and non-full-time employee costs. For the foreseeable future, permanent employee costs will likely grow faster than available revenues needed to fund such expenses. To the extent rising employee costs continue to outstrip revenue growth, the \$14-15 million revenue to expense gap will continue to grow.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2003

Cash Management

The City invests all idle funds daily. In accordance with the provisions of California Government Code Section 53600 et. seq., the City is restricted to certain types of legal investments including U.S. Treasury bills, notes and bonds, U.S. Government agency issues, the State Local Agency Investment Fund, banker's acceptances, certificates of deposits, repurchase agreements, corporate medium-term notes, mortgage pass-through securities and asset-backed securities, and money market mutual funds. A City investment and cash management policy is adopted annually by the City Council.

Investment income includes appreciation in the fair value of investments. Calculation of gains and losses in fair value of investments is unrealized and only measures the fair value at a point in time. Increases in fair value during the current year, however, do not necessarily represent trends that will continue. During the fiscal year ended June 30, 2003, the adjustment for changes in fair value of investments was unrealized gains of \$1.7 million and realized losses of \$1.1 million resulting in a net unrealized gain of \$0.6 million. Interest earnings from investments during the year were \$18.3 million.

Risk Management

The City is self-insured for general liability claims to the first \$500,000 per incident and to the first \$275,000 per incident for workers' compensation claims. The first \$14,500,000 in general liability claims in excess of \$500,000 is covered by the City's insurance policy issued by California Joint Powers Risk Management Authority, a public entity insurance pool.

The City's excess workers' compensation insurance policy, issued by Employer's Reinsurance Corp., provides workers' compensation coverage for claims up to \$1,000,000 for employer's liability damages and \$10,000,000 for statutory benefits in excess of \$275,000.

All premiums and deductible payments related to general liability and workers' compensation claims are recorded in the Employee Benefits Fund which is classified as an Internal Service Fund.

Pension and Postemployment Benefits

All permanent employees of the City are required to participate in the California Public Employees' Retirement System (CalPERS) per the City Charter. CalPERS is an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. Employees vest after five years of service and are eligible to receive benefits at age 50.

The City also provides medical health care benefits for retirees who elect the option under a third-party insurance plan. The medical coverage and City contribution remain the same as at the time of retirement. Employees who have worked with an agency participating in CalPERS a minimum of five years are eligible.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2003

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sunnyvale for its comprehensive annual financial report for the year ended June 30, 2002. This was the seventeenth consecutive year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

In addition, the City received the California Society of Municipal Finance Officers (CSMFO) Certificate of Award for Outstanding Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002.

We believe that our current comprehensive annual financial report continues to meet the Certificate program requirements. This report will be submitted to GFOA and CSMFO to determine its eligibility for another certificate.

The City of Sunnyvale also received the Distinguished Budget Presentation Award from GFOA for the City's adopted budget for the fiscal year ended June 30, 2003. This was the fifteenth consecutive year that the City has received this award. In order to qualify for the award program, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization.

For the past five fiscal years, the City's investment policy received certification by the Association of Public Treasurers (Association), formerly called the Municipal Treasurer's Association of the United States and Canada. The Association provides professional guidance and assistance in improving investment policies in the public sector. At least three experts in the field review the investment policies and those jurisdictions that comply with Association's criteria are presented with the Association's Written Investment Policy Certification.

The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the professional, efficient, and dedicated service of the staff of the Department of Finance. In particular we would like to express our appreciation to the following members of the Accounting Division that contributed to the development of this report: Jamie Oei, Senior Accountant, Victoria Hernandez, Accountant, Rebecca Vanderstelt, Senior Accounting Technician, and Toni Tognetti, IT Coordinator.

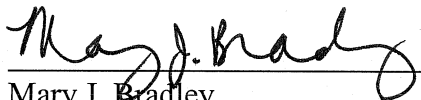
Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2003

Awards and Acknowledgements, Continued


We also wish to thank our auditors, Caporicci & Larson, CPAs, for their cooperation and assistance.

Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

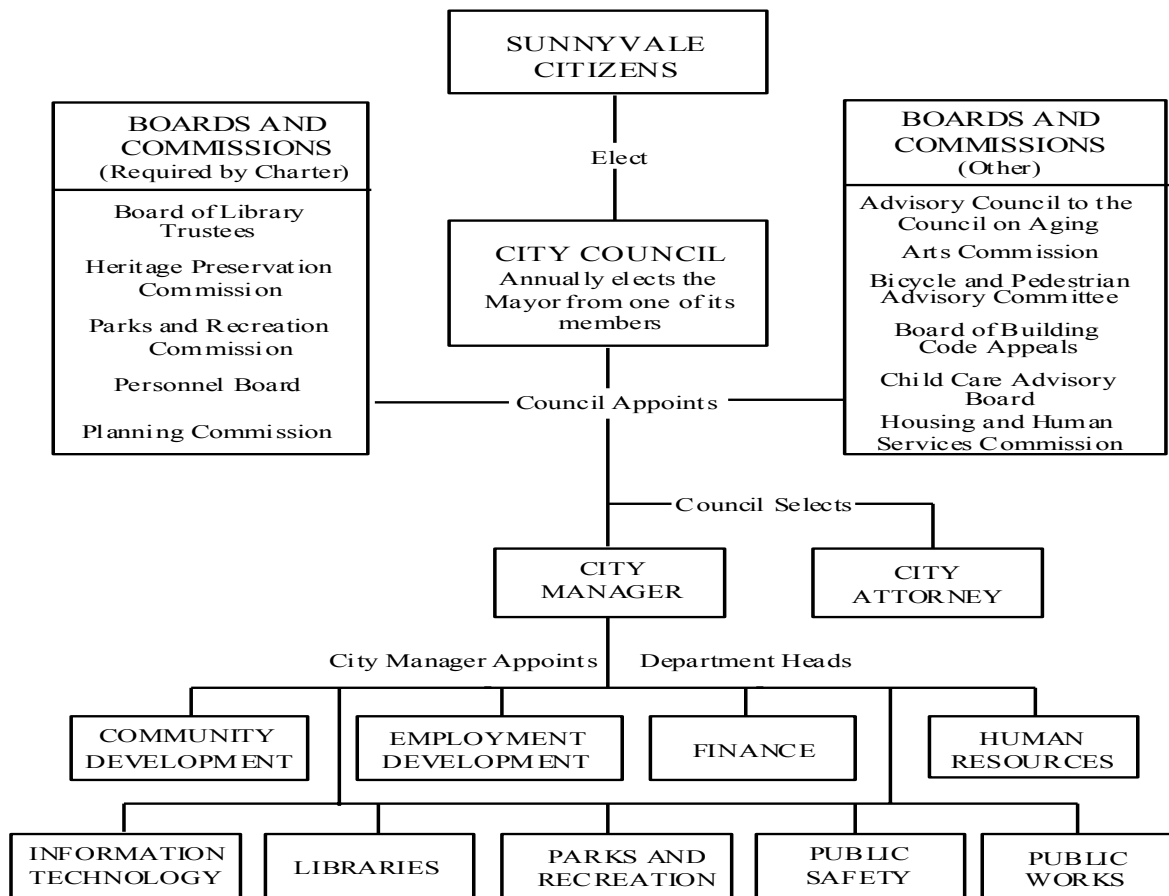


Mary J. Bradley
Director of Finance



Nasi Raissian
Finance Manager

Organization Chart



Directory of Officials

Julia Miller

Mayor

Tim Risch

Vice-Mayor

Frederik Fowler

Councilmember

John Howe

Councilmember

Jack Walker

Councilmember

Manuel Valerio

Councilmember

Patricia Vorreiter

Councilmember

Robert S. LaSala

City Manager

Irwin Bakin

Director of Public Safety

Mary J. Bradley

Director of Finance

Amy Chan

Assistant City Manager

Mike Curran

Director of Employment Development

Mark Gregersen

Director of Human Resources

Shawn Hernandez

Director of Information Technology

Victoria Johnson

Director of Libraries

Robert Paternoster

Director of Community Development

Marvin Rose

Director of Public Works

Robert Walker

Director of Parks and Recreation

Valerie J. Armento

City Attorney

Directory of Boards and Commissions

Advisory Council to the Council on Aging

McDonough, Nancy

Arts Commission

Beezley, Dane Andrew

Buchs, Susan

Carney, Dixie

Draganowski Davis, Monica

Harper, Wallace

Bicycle and Pedestrian Advisory Committee

Cotton, Cynthia

Granvold, Thomas

Gras, Gerald

Gregory, Kevin

Jackson, Kevin

Mayer, Thomas

Wolnik, Ginger

Board of Building Code Appeals

Faravelli, Ted

Ghaffary, Darab

Pal, Nick

Vacant

Vacant

Board of Library Trustees

Anderson, Pam

Flaherty, Thomas

Harms, Robert E.

Soby, William J.

Wanigatunga, Roland

Child Care Advisory Board

DeAngelo, Araceli

Gutierrez, Emily

Halliburton, Susannah

Jevons, Carole

Lazaro, Suzanne

Matray, Anneke

Ozdemir, Hilal

Heritage Preservation Commission

Hopkins, Dawn

Love, Neil

McQueen, Brian

Pang, Lillian

Shoemaker, Jane

Steward, Elizabeth

Vacant

Housing and Human Services Commission

Bannai, Vinay

Iannotti, Al

Joshi, M Pradeep

Lee, Kevin S.

Pathak, Narendra

Rowan, Elaine

Silveira, Mario

Smith, Nancy

Steward, Chad

Parks and Recreation Commission

Arnett, Jeffrey

DeWolf, Helen

Lawson, Robert

Manfrey, Joe

Pole, Raymond L.

Personnel Board

Agabah, Frank

Bushman, Karen

Gans, Werner

Ketzel, Marc

Reguerin, Ericka

Planning Commission

Babcock, Laura

Chu, Dean

Hungerford, Charles

Lee, Otto

Moylan, Christopher

Simons, David

Swegles, Ron

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sunnyvale,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen".

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2001-2002

Presented to the

City of Sunnysvale

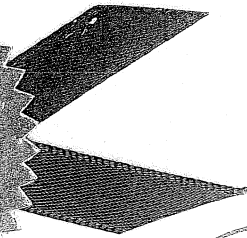
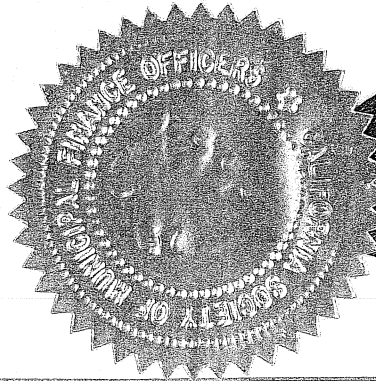
*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2003

Bret M. Lunde

Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



Financial Section

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Sunnyvale
Sunnyvale, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sunnyvale, California (City), as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the City adopted Statements of the Governmental Accounting Standards Board No. 39, *Determining Whether Certain Organizations are Component Units*; and, No. 41, *Budgetary Comparison Schedules - Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2003 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Oakland

180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County

3184-D Airway Avenue
Costa Mesa, California 92626

Sacramento

777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego

600 "B" Street, Suite 1900
San Diego, California 92101

To the Honorable Mayor and Members of City Council
of the City of Sunnyvale
Sunnyvale, California
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Capricci & Carson

Oakland, California
October 16, 2003

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003

This analysis of the City of Sunnyvale's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2003, the City's net assets (excess of assets over liabilities) were \$636.5 million. Of this amount, \$148.6 million may be used to meet the City's ongoing operations.
- During the fiscal year ended June 30, 2003, the City's total net assets increased by \$4.2 million. This increase represents an increase in governmental activities of \$8.1 million, while our business-type activities showed a decrease of \$3.9 million. The majority of the decrease in the business-type activities was due to revenues not meeting the obligations of the business-type activities in connection with interest expenses on the repayment of long-term advances to the General Fund.
- During the fiscal year the City's expenses for governmental activities exceeded total taxes collected of \$75.4 million, by \$16.1 million. This amount is worse than last year when expenses exceeded tax revenues by only \$1.5 million. This decrease is primarily due to the sharp economic downturn experienced in the Silicon Valley in the past two years.
- The City's total debt decreased by \$600,000 during the current fiscal year. The decrease is the net result of the refunding of a prior bond issue in the business-type activities and current debt service repayments in both governmental and business-type activities.

B. OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements.

The basic financial statements include the City (primary government) and all legally separate entities (component units) for which the government is financially accountable. The City's component units consist of the following: The Redevelopment Agency of the City of Sunnyvale (Agency), the Sunnyvale Financing Authority (Authority), and Community Facilities Districts No. 1 and No. 2 (CFD 1 and 2). These component units are, for practical purposes, departments of the City and have been included in the basic financial statements as an integral part of the primary government using the blended method.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Government-Wide Financial Statements

The Government-Wide Financial Statements present the financial picture of the City and provide readers with a broad view of the City's finances. These statements present governmental activities and business-type activities separately and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Changes in Net Assets presents information showing how the City's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

In the Statement of Net Assets and the Statement of Activities and Changes in Net Assets, we separate the City's activities as follows:

Governmental Activities—Most of the City's basic services are reported in this category, including Planning and Management, Public Safety, Community Development, Environmental Management, Socioeconomic, Cultural, and Transportation. Property, sales taxes and other taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-Type Activities—The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Water System, Wastewater System, Solid Waste System, SMaRT Station[®], and Community Recreation activities are reported as business-type activities. The City also has a small Information Technology fund to account for development activities related to a development partnership with GovPartners. All other information technology activities are accounted for in internal service funds, which are combined with governmental activities.

Fund Financial Statements

The Fund Financial Statements provide detailed information about the City's major funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other monies.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Fund Financial Statements, Continued

The Fund Financial Statements include statements for each of the three categories of activities – governmental, proprietary and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report assets and liabilities and do not have a measurement focus.

Governmental Funds—The Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Funds Financial Statements focus on current financial resources, which emphasize near-term inflows and outflows of spendable resources as well as balances of spendable resources at the end of the fiscal year. This information is essential in evaluating the City's near-term financial requirements.

In order to better understand the City's long-term and short-term requirements, it is useful to compare the City's Governmental Fund Statements with the governmental activities in the Government-Wide Financial Statements. A reconciliation is provided for both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances to facilitate this comparison.

The major governmental funds include the General Fund, Employment Development Special Revenue Fund, Redevelopment Agency Debt Service Fund, and City Capital Projects Fund, which are reported in detail in the Governmental Fund Financial Statements. All other funds are shown in the aggregate as other non-major funds.

Proprietary Funds—The City maintains two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The City uses enterprise funds to account for its Water, Wastewater, Solid Waste, SMaRT Station, Community Recreation operations, and Information Technology development project. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its General Services, Employee Benefits, and Risk Management operations. Because these services predominantly benefit the governmental rather than business-type activities, they have been included within governmental activities in the Government-Wide Financial Statements.

Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. All enterprise funds are presented as major funds. The internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Fund Financial Statements, Continued

Fiduciary Funds—The City is the trustee, or fiduciary, for certain funds held on behalf of external parties. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These activities are excluded from the City's other financial statements because the resources of these funds are not available to support the City's own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

Required Supplementary Information

In addition to the basic financial statements, this report also presents certain Required Supplementary Information including the City's budgetary comparison schedules for the General Fund and the Employment Development major special revenue fund, schedules and disclosure of the Modified Approach used for reporting the City's infrastructure capital assets, and information concerning the progress in funding its obligation to provide pension benefits to its employees.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

Net assets are a good indicator of the City's financial position. During this fiscal year, net assets of the City were \$636.5 million, which is an increase of \$4.2 million from the prior year.

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2002 and 2003.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Net Assets, Continued

City of Sunnyvale
Condensed Comparative Statements of Net Assets
June 30, 2003 and 2002
(Amounts in Millions)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2003	2002	2003	2002	2003	2002	
Assets:							
Current Assets	\$ 217.0	\$ 236.9	\$ 45.7	\$ 44.9	\$ 262.7	\$ 281.8	(6.8)%
Other Assets	63.7	56.7	(36.8)	(32.9)	26.9	23.8	13.0 %
Capital Assets, Net	402.9	383.7	101.8	102.5	504.7	486.2	3.8 %
Total Assets	683.6	677.3	110.7	114.5	794.3	791.8	0.3 %
Liabilities:							
Current Liabilities	32.6	32.8	8.8	9.2	41.4	42.0	(1.4)%
Other Liabilities	20.9	20.8	4.2	4.4	25.1	25.2	(0.4)%
Long-term Liabilities	42.3	44.0	49.0	48.3	91.3	92.3	(1.1)%
Total Liabilities	95.8	97.6	62.0	61.9	157.8	159.5	(1.1)%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	348.4	327.3	50.6	52.3	399.0	379.6	5.1 %
Restricted	71.6	89.5	17.3	15.2	88.9	104.7	(15.1)%
Unrestricted	167.8	162.9	(19.2)	(14.9)	148.6	148.0	0.4 %
Total Net Assets	\$ 587.8	\$ 579.7	\$ 48.7	\$ 52.6	\$ 636.5	\$ 632.3	0.7 %

At June 30, 2003, the largest portion of net assets (63%) consisted of the City's investment in capital assets net of related debt. This component portrays the total amount of funds required to acquire those assets less any related debt used for such acquisition that is still outstanding. The City uses these capital assets to provide services to citizens. The capital assets of the City are not sources of income for repayment of debt as most assets are not revenue generating and generally are not liquidated to repay debt. Therefore, debt service payments are funded from other sources available to the City.

Other assets in the business-type activities show a negative balance because they represent long-term internal balances. These balances are amounts due from the business-type activities (Wastewater Management and Solid Waste Management Funds) to the governmental activities (General Fund) that are designed to be repaid over a longer period of time.

A portion of the City's net assets (17%) is subject to restrictions imposed by external parties and those restrictions and agreements determine their use. The remainder of net assets, \$148.6 million, may be used to meet the City's ongoing operations. The City designated all unrestricted net assets for future expenses.

As shown in the table below, for the years ended June 30, 2003 and 2002, the City reported positive balances in all three categories of net assets for governmental activities. Business-type activities reported positive net assets in net assets invested in capital assets net of related debt and in restricted net assets. However, unrestricted net assets were negative largely due to long-term internal balances due to the General Fund.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Net Assets, Continued

City of Sunnyvale Comparative Analysis of Net Assets June 30, 2003 and 2002 (Amount in Millions)				
	2003	2002	Change \$	Change %
Net Assets:				
Investment in Capital Assets, Net of Related Debt	\$ 399.0	\$ 379.6	\$ 19.4	5.1 %
Restricted	88.9	104.7	(15.8)	(15.1)%
Unrestricted	148.6	148.0	0.6	0.4 %
Total Net Assets	<u>\$ 636.5</u>	<u>\$ 632.3</u>	<u>\$ 4.2</u>	<u>0.7 %</u>

The increase in the City's Investment in Capital Assets net of related debt was due to routine acquisition of capital assets and repayments of the related debt.

There was a decrease in restricted net assets of \$15.8 million due primarily to a decrease in assets restricted for capital projects in the governmental activities. In the previous fiscal year, the City had restricted funds for the building of a parking garage in the downtown area. This project was terminated and bond proceeds restricted for this project were returned to bondholders. The long-term debt note in the Notes to the Basic Financial Statements provides a more detailed analysis of this transaction.

The City's unrestricted net assets and total net assets remained substantially constant from the prior fiscal year.

The following chart shows the comparison of the three components of net assets for fiscal years 2003 and 2002.



Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Activities

The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ended June 30, 2003 and 2002.

	Governmental Activities		Business-type Activities		Total		Total % Change
	2003	2002	2003	2002	2003	2002	
Revenues:							
Program Revenues:							
Charges for Services	\$ 11.0	\$ 13.9	\$ 84.4	\$ 84.4	95.4	98.3	(3.0)%
Operating Grants and Contributions	20.5	19.5	-	-	20.5	19.5	5.1 %
Capital Grants and Contributions	9.6	6.7	1.4	0.2	11.0	6.9	59.4 %
Total Program Revenues	41.1	40.1	85.8	84.6	126.9	124.7	1.8 %
General Revenues:							
Property Taxes	26.9	25.8	-	-	26.9	25.8	4.3 %
Sales and Other Taxes	48.5	53.0	-	-	48.5	53.0	(8.5)%
Investment Income	17.2	16.6	1.7	2.2	18.9	18.8	0.5 %
Other	1.2	-	-	-	1.2	-	100.0 %
Total General Revenues	93.8	95.4	1.7	2.2	95.5	97.6	(2.2)%
Total Revenues	134.9	135.5	87.5	86.8	222.4	222.3	0.0 %
Expenses							
Planning and Management	15.0	13.5	-	-	15.0	13.5	11.1 %
Public Safety	54.0	46.5	-	-	54.0	46.5	16.1 %
Community Development	21.1	19.9	-	-	21.1	19.9	6.0 %
Transportation	11.8	13.6	-	-	11.8	13.6	(13.2)%
Socioeconomic	14.8	13.0	-	-	14.8	13.0	13.8 %
Cultural	8.8	9.2	-	-	8.8	9.2	(4.3)%
Environmental Management	1.7	2.5	-	-	1.7	2.5	(32.0)%
Water Supply and Distribution	-	-	16.1	15.1	16.1	15.1	6.6 %
Wastewater Management	-	-	15.0	15.5	15.0	15.5	(3.2)%
Solid Waste Management	-	-	26.6	26.6	26.6	26.6	-
SMaRT Station	-	-	18.4	19.6	18.4	19.6	(6.1)%
Community Recreation	-	-	9.5	9.0	9.5	9.0	5.6 %
Information Technology	-	-	-	-	-	-	-
Total Expenses	127.2	118.2	85.6	85.8	212.8	204.0	4.3 %
Increase in Net Assets before Transfers and Interest on Long-term Debt	7.7	17.3	1.9	1.0	9.6	18.3	(47.5)%
Interest on Long-term Debt	(5.4)	(2.3)	-	-	(5.4)	(2.3)	134.8 %
Transfers	5.8	9.3	(5.8)	(9.3)	-	-	-
Increase in Net Assets	8.1	24.3	(3.9)	(8.3)	4.2	16.0	(73.7)%
Net Assets - Beginning	579.7	555.4	52.6	60.9	632.3	616.3	2.6 %
Net Assets - Ending	\$ 587.8	\$ 579.7	\$ 48.7	\$ 52.6	\$ 636.5	\$ 632.3	0.7 %

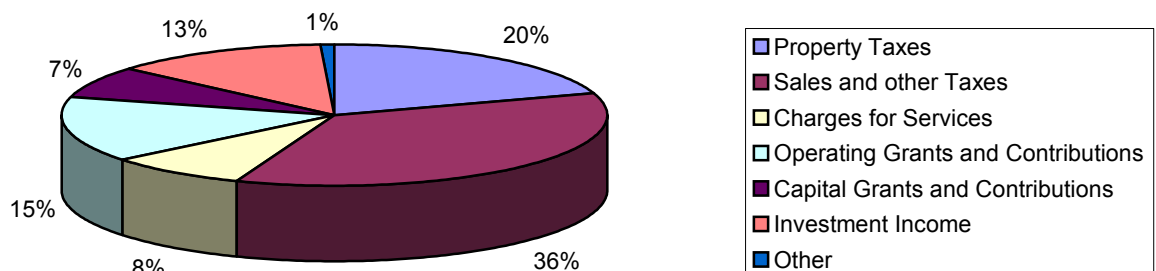
***Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003******C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued******Governmental Activities:***

The City's governmental activities increased net assets by \$8.1 million, which was 67% down from last year. Key elements of this change were as follows:

Revenue Highlights:

- Total revenues were substantially unchanged from last fiscal year.
- Property Tax revenues increased slightly by \$1 million or 4% in fiscal year 2003 due to higher assessed property values.
- Sales and Other Tax revenues decreased by \$4.5 million or approximately 9% compared to fiscal year 2002. The decrease was primarily due to a decrease in Sales Tax of \$3.2 million which is 13% less than last year's Sales Tax revenues, and a decrease in Transient Occupancy Tax of \$1.2 million which is 21% less than last year's Transient Occupancy Tax revenues. Both revenue sources are highly dependent on business related activity in the City and as a result of the recession have shown sharp decreases. However, this decrease was significantly less than the \$15 million decrease experienced last fiscal year.
- Capital grants and contributions increased by 59% mostly due to reimbursement grant revenues. Several of the City's capital projects were completed this year allowing the City to collect on these grants.
- Investment income, which is a combination of interest earnings and change in fair value of investments remained constant from prior year.

**Governmental Activities
Revenues by Source
June 30, 2003**



Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Expense Highlights:

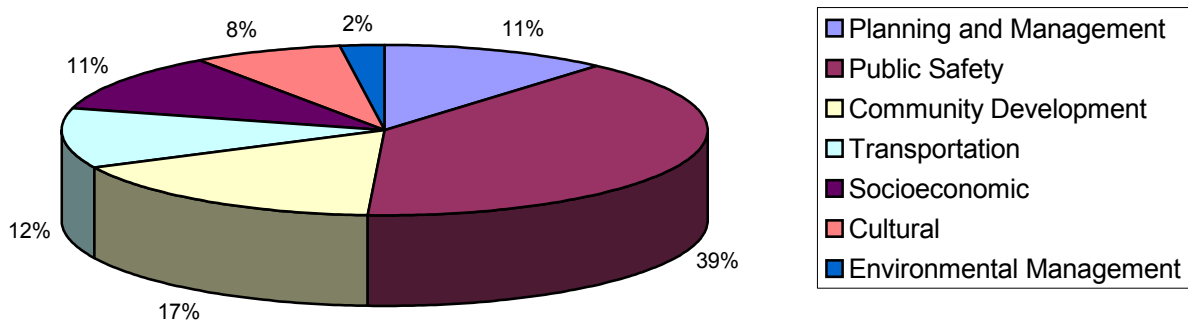
Total expenses for governmental activities were \$127.2 million (not including interest on long-term debt of \$5.4 million). Total expenditures were higher than last year by \$9 million primarily due to a sharp increase in salaries and wages, resulting from labor memoranda of understandings established by union negotiations. In addition, the City faced an increase in pension costs as a result of several years of losses experienced by the California Public Employees Retirement Fund (CalPERS).

Program revenues offset total expenditures as follows:

- Those who directly benefited from programs contributed \$11 million in charges for services.
- The City was able to fund some of its programs through operating grants and contributions from outside sources or other governments for a total amount of \$20.5 million.
- A total of \$9.6 million in capital projects was funded by outside agencies through capital grants and contributions.

As a result, total net expenses that were funded by general revenues were \$86.1 million. Tax revenues, which were \$75.4 million, were not sufficient to fund net expenses and other revenue sources such as investment income and transfers were used to fund these expenses.

Governmental Activities
Expenses by Function/Program
June 30, 2003



Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Functional expenses for the years ended June 30, 2003 and 2002 were as follows (amount in millions):

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2003	2002	2002-2003	2003	2002	2002-2003
Planning and Management	\$ 15.0	\$ 13.5	11.1 %	\$ 14.8	\$ 13.3	11.3 %
Public Safety	54.0	46.5	16.1 %	50.2	42.2	19.0 %
Community Development	21.1	19.9	6.0 %	11.8	7.6	55.3 %
Transportation	11.8	13.6	(13.2)%	(0.8)	4.2	(119.0)%
Socioeconomic	14.8	13.0	13.8 %	0.8	0.8	-
Cultural	8.8	9.2	(4.3)%	7.7	8.3	(7.2)%
Environmental Management	1.7	2.5	(32.0)%	1.6	1.5	6.7 %
Total	<u>\$ 127.2</u>	<u>\$ 118.2</u>	<u>7.6 %</u>	<u>\$ 86.1</u>	<u>\$ 77.9</u>	<u>10.5 %</u>

All programs show increases in net costs except for Transportation, which received a large capital grant for its capital projects, and Cultural, which shows a slight decrease due to lower overall costs. As discussed above the increases are due to sharply higher salary increases due to existing labor contracts.

Business Type Activities

The City's business-type activities decreased net assets by \$3.9 million. This decrease is less than last year's decrease of \$8.5 million. Key elements of this decrease were as follows:

Revenue Highlights:

- Total revenues in business-type activities remained constant from last year showing a slight increase of \$1.2 million. These increases were primarily in charges for services.

Expense Highlights:

- Despite higher salary cost throughout the City, we were able to lower total operating expenses by \$200,000 to contain some of the losses that were being incurred by the business-type activities.
- The largest decrease in expenses was seen in transfers to governmental activities, which decreased this fiscal year by \$3.5 million due to less capital projects requirements.
- On the whole, total revenues of the business-type activities were not sufficient to meet total costs mainly due to interest expenses of long-term internal advances payable to the General Fund. These balances, including any accrued interest, are not due for several years.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business Type Activities, Continued

**Business Type Activities
Revenues and Expenses
June 30, 2003**



D. FUND FINANCIAL STATEMENT ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on short-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of the end of fiscal year 2003, the City's governmental funds reported combined ending fund balances of \$144.7 million, a decrease of \$32.2 million in comparison with the prior year. Of the ending fund balances, \$62.7 million is reserved to indicate that it is not available for appropriation because it had already been committed for various purposes (see Note 14 in the Basic Financial Statements). \$82 million constitutes unreserved fund balance, which is available for spending at the government's discretion. The City designates all its unreserved fund balance for future expenditures.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$73.6 million, while total fund balance was \$120.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. At June 30, 2003, unreserved fund balance was 68% of total General Fund expenditures and transfers out, while total fund balance was 112% of total expenditures and transfers out.

The fund balance of the City's General Fund decreased by \$14.6 million in fiscal year 2003 as compared to an increase of \$4.7 million in fiscal year 2002. This decrease is due to lower revenues as a result of the continuing economic downturn of the area. In addition, expenses were significantly higher because of the increase in salary costs and related expenses that were incurred as a result of existing labor contracts and increased pension costs due to losses incurred by CalPERS.

The City Projects capital project fund showed a decrease in fund balance of \$11.9 million in fiscal year 2003, as compared to an increase of \$4.9 million in fiscal year 2002. This decrease was due to expenditures incurred on major capital projects during the current year for which revenues had been received in prior years.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Factors concerning these funds have already been addressed in the discussion of Government-wide Financial Analysis of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the City budget a number of times. These budget amendments fall into two categories:

- Amendments and appropriations approved after the beginning of the year to reflect capital and special project carryovers for unspent appropriations of projects that have not been completed.
- New appropriations approved by City Council.

For the fiscal year 2003, carryover appropriations totaled \$3.1 million and \$3.2 million was appropriated through the fiscal year for various new unanticipated expenditures. Funding sources included grant revenues, fiscal uncertainties reserve account and General Fund reserves.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003

E. GENERAL FUND BUDGETARY HIGHLIGHTS, Continued

Actual expenditures (outflows) for the fiscal year were slightly under the original budget and \$10.2 million under the amended budget. Most of the unspent funds will be reappropriated in the carryover process for fiscal year 2004.

Resources (inflows) available for appropriations were in line with the final budget but below the original budgeted amounts by \$3.1 million. During the fiscal year 2004 budget process, revenues were analyzed and amended in order to more appropriately reflect the actual trends based upon year-to-date information.

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets Including Infrastructure

Capital assets including infrastructure assets of the City are those assets which are used in the performance of the City's functions. At June 30, 2003, net capital assets of the governmental activities totaled \$402.9 million and the net capital assets of the business-type activities totaled \$101.8 million, including depreciation on capital assets, which is recognized in the Government-Wide Financial Statements.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its Street Pavement system. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system which requires that the City (1) perform an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate the annual amounts to maintain and preserve the asset at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City Policy is to achieve an average Pavement Condition Index (PCI) rating of 75 for all streets. This rating represents a "Very Good" condition based on a national measurement scale. The average rating for the City's streets at June 30, 2003, was 82, which is higher than the City's policy level. The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City's budget for street maintenance for the fiscal year ended June 30, 2003 was \$2.5 million. Actual expenditures were \$2.4 million. These expenditures delayed deterioration, and helped maintain the overall condition of the streets at a PCI level higher than the City's goal.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

Capital Assets including Infrastructure, Continued

The following is a summary of the City's capital assets as of June 30, 2003.

Description	Cost	Accumulated Depreciation	Carrying Value
Capital Assets - Governmental Activities:			
Land	\$ 104.0	\$ -	\$ 104.0
Buildings and Structures	78.7	26.5	52.2
Improvements Other than Buildings	58.2	19.6	38.6
Machinery and Equipment	30.2	16.6	13.6
Construction in Progress	10.7	-	10.7
Infrastructure:			-
Nondepreciable	156.6	-	156.6
Depreciable	68.1	40.9	27.2
Total	\$ 506.5	\$ 103.6	\$ 402.9
Capital Assets - Business-Type Activities:			
Land	\$ 16.4	\$ -	\$ 16.4
Buildings and Structures	21.9	18.1	3.8
Improvements Other than Buildings	130.1	48.9	81.2
Machinery and Equipment	0.7	0.5	0.2
Construction in Progress	0.2	-	0.2
Total	\$ 169.3	\$ 67.5	\$ 101.8

Governmental Activities:

Five major new projects were completed or substantially completed during the fiscal year. These were: the Fremont Pool, which opened in Spring 2002, the underground parking structure in Downtown Sunnyvale which opened in July 2002, the Multimodal Transit Center and the Fair Oaks Skateboard Park, both of which opened in May 2003 and the Senior Center, which opened in early July 2003. The completion of these facilities represents a significant accomplishment for the City.

Business-type Activities:

Additions and deletions of capital assets in the business type activities were routine replacements of current capital assets. No major capital assets were added in fiscal year 2003.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

Long-Term Obligations

As of June 30, 2003, the City had outstanding debt issues as listed below. Not included in the following table is the Community Facilities District No.1 Special Tax Bonds, which are backed by property tax levies against property owners. The City has no obligation for these bonds. Each of the City's other bonds are backed by certain specific revenues or General Fund lease payments and carry respectable ratings. The City's long-term obligations for the fiscal years 2003 and 2002 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Parking District Bonds	\$ 0.1	\$ 0.1	\$ -	\$ -	\$ 0.1	\$ 0.1
Special Assessment Debt	0.6	0.8	-	-	0.6	0.8
Tax Allocation Bonds	7.4	7.6	-	-	7.4	7.6
Certificates of Participation	35.9	37.0	-	-	35.9	37.0
Revenue Bonds	-	-	51.2	50.2	51.2	50.2
Total Net Assets	\$ 44.0	\$ 45.6	\$ 51.2	\$ 50.2	\$ 95.2	\$ 95.8

During the fiscal year 2003, revenue bonds in the amount of \$20.6 million were issued to provide funds to defease and refund the outstanding 1992 Utilities Revenue Bonds, Series B. The bonds are payable from the City's pledge of "net revenues" from its solid waste system and monies received by the City from the cities of Mountain View and Palo Alto. The bonds bear interest rates ranging from 2.0% to 5.5% and are payable semiannually on April 1 and October 1 of each year commencing April 1, 2003. Principal payments ranging from \$1,025,000 to \$1,890,000 are due October 1 of each year and mature in 2017.

For more detailed information on Capital Assets and Long-Term Debt see the Notes to the Basic Financial Statements.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the budget for the next fiscal year the following factors were taken into consideration:

- Revenues of the City have decreased dramatically with the highest decreases in Sales Tax of 13% and in Transient Occupancy Tax of 21%.
- The unemployment rate for the City was 7.4% as compared to 6.7% for the prior year. This rate is higher than the State rate of 6.8%. Our high unemployment rate is due to the recession that has affected the State and which is more severely felt in the Silicon Valley because of the technology slowdown.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2003

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The inflation rate for the San Francisco Bay metropolitan area was 3.1%, which is lower than the national inflation rate of 3.8%.
- The City's expenses have increased significantly due to labor contracts and increased pension costs.
- The State budget will have a significant effect on the City's future financial position.
- The latest census results for January 1, 2003 show the City's population at 132,500.

The economic downturn that began with the collapse of the information technology boom of the late 1990's has impacted the Silicon Valley region in a manner not seen since the Great Depression. The effect of this downturn has significantly impacted City revenues as both Sales Tax and Transient Occupancy Tax receipts have fallen 35% and 51% respectively since fiscal year 2001. In fiscal year 2003, due to labor contracts, the City's expenses for salaries and related costs increased significantly. In addition, the City had higher pension costs due to two years of consecutive losses experience by CalPERS. Despite these adverse conditions, no services were affected in fiscal year 2003. However, our internal structural deficit and the State of California's budget crisis has left many uncertainties in the economic condition of the City. As a result, significant service reductions and budget cuts had to be implement for fiscal year 2004. Further budget reductions are anticipated if the State budget crisis continues to affect the revenues of the City.

The City's approach to budgeting requires that City Council approve a financial plan that has been balanced to the twentieth year. This long-term nature of the City's financial planning system allows decision makers to better understand the true effect of policy decisions. One of the most powerful aspects of the multi-year financial planning is its capability to recognize trends over time and begin at an early point to consider the necessary steps to alter the long-term forecasted position of the City. In fiscal year 2003 the General Fund unreserved fund balance decreased to \$73.6 million. In addition, the adopted fiscal year 2004 budget will draw down on these reserves by approximately \$10 million. In prior years when the City was experiencing strong economic growth, the reserve was building up over time. As the effects of the economic downturn are being fully felt, the reserve was available to provide a cushion to maintain City services at desired levels through fiscal year 2003. This level of service will not be maintained in fiscal year 2004 and further reductions may still be necessary to balance the City's budget.

H. REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Sunnyvale Finance Department, 650 W. Olive Avenue, Sunnyvale, California 94086.

Basic Financial Statements

Government-Wide Financial Statements



Statement of Net Assets
June 30, 2003

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current Assets			
Cash and Investments Held by City (Note 2)	\$ 201,162,504	\$ 24,065,424	\$ 225,227,928
Cash and Investments Held by Fiscal Agent (Note 2)	3,668,300	17,380,143	21,048,443
Receivables, Net (Note 3)	5,662,478	4,003,911	9,666,389
Intergovernmental Receivables (Note 3)	4,133,351	181,678	4,315,029
Inventories and Prepayments	442,277	25,070	467,347
Assets Held for Resale	1,936,077	-	1,936,077
Total Current Assets	217,004,987	45,656,226	262,661,213
Noncurrent Assets			
Other Long-term Receivables (Note 3)	6,247,802	-	6,247,802
Long-term Internal Balances	37,565,576	(37,565,576)	-
Deferred Charges	-	837,674	837,674
Capital Assets (Note 6):			
Land and Nondepreciable Assets	271,239,925	16,462,432	287,702,357
Depreciable Assets, Net	131,699,109	85,333,800	217,032,909
Total Capital Assets	402,939,034	101,796,232	504,735,266
Total Noncurrent Assets	446,752,412	65,068,330	511,820,742
Total Assets	663,757,399	110,724,556	774,481,955
Liabilities:			
Current Liabilities			
Wages Payable	798,792	-	798,792
Accounts Payable and Accrued Liabilities	7,011,079	5,898,659	12,909,738
Refundable Deposits	2,242,869	156,241	2,399,110
Interest Payable	396,329	595,004	991,333
Deferred Revenues (Note 4)	435,110	-	435,110
Claims and Judgments Payable - Due Within One Year (Note 8)	4,484,692	-	4,484,692
Compensated Absences Payable - Due Within One Year (Note 8)	715,997	-	715,997
Long-term Debt - Due Within One Year (Note 7)	1,675,000	2,215,000	3,890,000
Total Current Liabilities	17,759,868	8,864,904	26,624,772
Noncurrent Liabilities			
Claims and Judgments - Due in More than One Year (Note 8)	9,345,308	-	9,345,308
Compensated Absences - Due in More than One Year (Note 8)	6,408,183	-	6,408,183
Landfill Closure and Postclosure Costs (Note 8)	-	4,226,097	4,226,097
Long-term Debt - Due in More than One Year (Note 7)	42,300,000	48,967,391	91,267,391
Total Noncurrent Liabilities	58,053,491	53,193,488	111,246,979
Total Liabilities	75,813,359	62,058,392	137,871,751
Net Assets (Note 14):			
Invested in Capital Assets, Net of Related Debt	348,404,001	50,613,841	399,017,842
Restricted for:			
Capital Projects	40,756,186	12,869,543	53,625,729
Debt Service	2,500,229	4,510,600	7,010,829
Specific Projects and Programs	29,140,445	-	29,140,445
Total Restricted Assets	72,396,860	17,380,143	89,777,003
Unrestricted Net Assets (Deficit)	167,143,179	(19,327,820)	147,815,359
Total Net Assets	\$ 587,944,040	\$ 48,666,164	\$ 636,610,204

See Accompanying Notes to Basic Financial Statements

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2003

Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Planning and Management	\$ 15,003,803	\$ 162,367	\$ 2,275	\$ -
Public Safety	54,004,046	2,105,988	1,698,043	-
Community Development	21,068,059	7,232,639	2,079,332	537
Transportation	11,819,607	338,493	3,163,433	9,130,234
Socioeconomic	14,803,498	601,131	13,422,046	-
Cultural	8,812,068	470,530	177,215	457,879
Environmental Management	1,683,860	30,797	-	-
Interest on Long-term Debt	5,363,215	-	-	-
Total Governmental Activities	132,558,156	10,941,945	20,542,344	9,588,650
Business-Type Activities:				
Water Supply and Distribution	16,144,013	16,803,889	-	214,029
Wastewater Management	15,006,869	15,047,818	-	82,000
Solid Waste Management	26,566,881	27,094,342	-	1,126,925
SMaRT Station	18,408,253	17,900,660	-	-
Community Recreation	9,471,683	7,566,876	-	-
Information Technology	13,080	15,855	-	-
Total Business-Type Activities	85,610,779	84,429,440	-	1,422,954
Total Primary Government	\$ 218,168,935	\$ 95,371,385	\$ 20,542,344	\$ 11,011,604

General Revenues and Transfers:

Revenues:

Taxes:

Property Taxes

Sales and Other Taxes

Total Taxes

Grants and Contributions not Restricted to Specific Programs

Investment Earnings - Unrestricted

Miscellaneous

Gain (Loss) on Disposal of Assets

Transfers

Total General Revenues and Transfers**Change in Net Assets****Net Assets - Beginning of Year****Net Assets - End of Year**

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Net (Expense) Revenue and Changes in Net Assets			
Total	Governmental Activities	Business-Type Activities	Total
\$ 164,642	\$ (14,839,161)	\$ -	\$ (14,839,161)
3,804,031	(50,200,015)	-	(50,200,015)
9,312,508	(11,755,551)	-	(11,755,551)
12,632,160	812,553	-	812,553
14,023,177	(780,321)	-	(780,321)
1,105,624	(7,706,444)	-	(7,706,444)
30,797	(1,653,063)	-	(1,653,063)
-	(5,363,215)	-	(5,363,215)
41,072,939	(91,485,217)	-	(91,485,217)
17,017,918	-	873,905	873,905
15,129,818	-	122,949	122,949
28,221,267	-	1,654,386	1,654,386
17,900,660	-	(507,593)	(507,593)
7,566,876	-	(1,904,807)	(1,904,807)
15,855	-	2,775	2,775
85,852,394	-	241,615	241,615
\$ 126,925,333	(91,485,217)	241,615	(91,243,602)
	26,858,179	-	26,858,179
	48,489,591	-	48,489,591
	75,347,770	-	75,347,770
	677,909	-	677,909
	17,330,039	1,689,119	19,019,158
	33,415	31,048	64,463
	406,157	4,544	410,701
	5,842,755	(5,842,755)	-
	99,638,045	(4,118,044)	95,520,001
	8,152,828	(3,876,429)	4,276,399
	579,791,212	52,542,593	632,333,805
	\$ 587,944,040	\$ 48,666,164	\$ 636,610,204



Governmental Fund Financial Statements

The ***General Fund*** accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General Fund supports essential City services such as police and fire protection, street maintenance, libraries, and parks and open space maintenance.

The ***Employment Development Fund*** accounts for various Federal funds and program revenues used for workforce development activities conducted by the North Valley Job Training Consortium (NOVA).

The ***Redevelopment Agency Debt Service Fund*** accumulates funds for payment of the 1992 Redevelopment Agency Central Core Tax Allocation Bonds, the 1998 Parking Lease Revenue Bonds, and the Advances from General Fund. Debt service is financed with incremental property tax revenues and the General Fund's loan to the Agency in the form of parking lease payments.

The ***City Projects Fund*** accounts for City capital projects funded by the General Fund or other governmental funds, or any projects funded by multiple sources.

CITY OF SUNNYVALE

Balance Sheet Governmental Funds June 30, 2003

		Major Funds	
	General Fund	Employment Development	Redevelopment Debt Service
Assets:			
Cash and Investments Held by City (Note 2)	\$ 74,698,517	\$ -	\$ -
Cash and Investments Held by Fiscal Agent (Note 2)	-	-	1,988,644
Receivables, Net (Note 3)	3,773,482	4,257	339
Intergovernmental Receivables (Note 3)	194,242	1,254,238	-
Due From Other Funds (Note 5)	310,856	-	-
Advances to Other Funds (Note 5)	86,437,626	-	-
Inventories and Prepayments	297,839	6,600	-
Other Long-term Receivables (Note 3)	8,684,730	-	-
Housing Loans Receivable (Note 3)	-	-	-
Assets Held for Resale	1,381,077	-	-
Total Assets	\$ 175,778,369	\$ 1,265,095	\$ 1,988,983
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 1,391,379	\$ 524,680	\$ 1,000
Refundable Deposits	1,024,010	13,600	-
Due to Other Funds (Note 5)	-	108,347	-
Advances from Other Funds (Note 5)	-	-	45,906,759
Deferred Revenues (Note 4)	52,669,418	7,477	-
Total Liabilities	55,084,807	654,104	45,907,759
Fund Balances (Note 14):			
Reserved:			
Housing Mitigation	-	-	-
Public Safety	-	-	-
Traffic Congestion Relief	-	-	-
Low and Moderate Housing	-	-	-
Restricted Donations	-	-	-
Advances to Other Funds Net of Deferred Revenue	36,749,203	-	-
Long-term Receivables Net of Deferred Revenue	5,710,660	-	-
Inventories and Prepayments	297,839	6,600	-
Assets Held for Resale	1,381,077	-	-
Land Acquisition	3,000,000	-	-
Debt Service	-	-	1,988,644
Total Reserved	47,138,779	6,600	1,988,644
Unreserved, Designated:			
Unrealized Gains	2,183,532	-	-
Contingencies	18,245,824	-	-
Service Level Stabilization	4,561,456	-	-
Current Capital Projects	3,959,168	-	-
Nonrecurring Events	995,932	-	-
20-Year Resource Allocation Plan	43,608,871	604,391	-
Total Unreserved, Designated	73,554,783	604,391	-
Unreserved - Major Funds	-	-	(45,907,420)
Unreserved, Reported in Nonmajor Funds:			
Special Revenue Funds	-	-	-
Total Fund Balances	120,693,562	610,991	(43,918,776)
Total Liabilities and Fund Balances	\$ 175,778,369	\$ 1,265,095	\$ 1,988,983

See Accompanying Notes to Basic Financial Statements

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Major Funds City Projects	Other Governmental Funds	Total Governmental Funds
\$ 20,030,240	\$ 47,342,399	\$ 142,071,156
-	1,679,656	3,668,300
213,056	747,337	4,738,471
1,869,324	757,640	4,075,444
-	4,661,606	4,972,462
-	-	86,437,626
80,681	10,033	395,153
-	-	8,684,730
-	17,475,844	17,475,844
-	555,000	1,936,077
<u>\$ 22,193,301</u>	<u>\$ 73,229,515</u>	<u>\$ 274,455,263</u>
\$ 3,169,701	\$ 1,125,978	\$ 6,212,738
696,333	478,477	2,212,420
-	4,864,115	4,972,462
-	-	45,906,759
221,730	17,559,692	70,458,317
<u>4,087,764</u>	<u>24,028,262</u>	<u>129,762,696</u>
-	2,638,333	2,638,333
-	1,740,378	1,740,378
-	697,808	697,808
-	4,661,606	4,661,606
-	802,934	802,934
-	-	36,749,203
-	-	5,710,660
-	385	304,824
-	555,000	1,936,077
-	-	3,000,000
-	2,481,820	4,470,464
<u>-</u>	<u>13,578,264</u>	<u>62,712,287</u>
683,695	1,068,436	3,935,663
-	-	18,245,824
-	-	4,561,456
17,421,842	12,711,319	34,092,329
-	-	995,932
-	26,877,313	71,090,575
<u>18,105,537</u>	<u>40,657,068</u>	<u>132,921,779</u>
-	-	(45,907,420)
-	(5,034,079)	(5,034,079)
<u>18,105,537</u>	<u>49,201,253</u>	<u>144,692,567</u>
<u>\$ 22,193,301</u>	<u>\$ 73,229,515</u>	<u>\$ 274,455,263</u>



CITY OF SUNNYVALE

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2003**

Total Fund Balances - Total Governmental Funds \$ 144,692,567

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets used in governmental funds are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. 389,889,001

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet. (396,329)

Deferred revenues are adjusted as follows:

Deferred revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements. 50,110,435

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Government-Wide Statement of Net Assets. 47,623,366

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.

Long-term Debt (43,975,000)

Net Assets of Governmental Activities \$ 587,944,040

See Accompanying Notes to Basic Financial Statements

CITY OF SUNNYVALE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2003

		Major Funds	
	General Fund	Employment Development	Redevelopment Debt Service
Revenues:			
Property Taxes	\$ 23,868,187	\$ -	\$ -
Sales and Other Taxes	36,296,818	-	-
Franchise Fees	5,226,408	-	-
Intergovernmental Revenues	8,588,537	12,791,946	-
Permits and Licenses	3,133,125	-	-
Fines and Forfeitures	609,858	-	-
Special Assessments	-	-	-
Service Fees	1,544,933	14,674	-
Use of Money and Property	6,140,660	-	85,684
Other Revenues	277,435	656,137	-
Total Revenues	85,685,961	13,462,757	85,684
Expenditures:			
Current:			
Planning and Management	13,100,208	-	-
Public Safety	51,277,346	-	-
Community Development	14,407,191	-	-
Transportation	6,704,186	-	-
Socioeconomic	510,492	13,201,819	-
Cultural	6,606,185	-	-
Environmental Management	1,188,384	-	-
Capital Outlay	56,970	6,864	-
Debt Service:			
Principal Retirement	-	-	650,000
Interest and Fiscal Charges	-	-	4,702,797
Total Expenditures	93,850,962	13,208,683	5,352,797
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,165,001)	254,074	(5,267,113)
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	498,255	-	-
Transfers In (Note 13)	7,318,489	-	1,862,307
Transfers Out (Note 13)	(14,227,020)	(45,845)	-
Total Other Financing Sources (Uses)	(6,410,276)	(45,845)	1,862,307
Net Change in Fund Balances	(14,575,277)	208,229	(3,404,806)
Fund Balances - Beginning of Year	135,268,839	402,762	(40,513,970)
Fund Balances - End of Year	\$ 120,693,562	\$ 610,991	\$ (43,918,776)

See Accompanying Notes to Basic Financial Statements

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Major Funds City Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,763,742	\$ 26,631,929
-	-	36,296,818
-	-	5,226,408
9,095,405	6,024,567	36,500,455
-	-	3,133,125
-	172,563	782,421
-	299,290	299,290
265,287	1,298,395	3,123,289
831,254	2,875,368	9,932,966
33,896	1,506,238	2,473,706
<u>10,225,842</u>	<u>14,940,163</u>	<u>124,400,407</u>
564,535	535,849	14,200,592
-	1,486,710	52,764,056
650,130	4,463,329	19,520,650
1,340,073	1,357,455	9,401,714
-	717,611	14,429,922
537,891	396,793	7,540,869
35,693	80,081	1,304,158
18,903,446	6,915,434	25,882,714
-	945,000	1,595,000
-	481,519	5,184,316
<u>22,031,768</u>	<u>17,379,781</u>	<u>151,823,991</u>
(11,805,926)	(2,439,618)	(27,423,584)
-	-	498,255
9,958,281	4,740,756	23,879,833
<u>(10,124,336)</u>	<u>(4,715,984)</u>	<u>(29,113,185)</u>
<u>(166,055)</u>	<u>24,772</u>	<u>(4,735,097)</u>
(11,971,981)	(2,414,846)	(32,158,681)
<u>30,077,518</u>	<u>51,616,099</u>	<u>176,851,248</u>
<u>\$ 18,105,537</u>	<u>\$ 49,201,253</u>	<u>\$ 144,692,567</u>

CITY OF SUNNYVALE

***Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
Year Ended June 30, 2003***

Net Change in Fund Balances - Total Governmental Funds \$ (32,158,681)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital asset additions recorded in the current period. 25,396,176

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds. (5,495,379)

In-kind contributions of capital assets are not recorded in the Fund Financial Statements. 589,000

Revenues that have not met the revenue recognition criteria in the Fund Financial statements are recognized as revenue in the Government-Wide Financial Statements.

Interfund Interest Revenues 6,208,591

Other Long-term Receivable 144,006

Gain on the sale or disposal of capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets while the total proceeds of the sale is reported in the Governmental Fund Financial statements.

Eliminate proceeds of sale of assets (498,255)

Recognize gain (loss) on sale of assets 369,804

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.

This amount represents long-term debt repayments. 1,595,000

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in Governmental Funds. The following amount represents the change in accrued interest from prior year. 15,092

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the Internal Service Funds is reported with Governmental Activities. 11,987,474

Change in Net Assets of Governmental Activities \$ 8,152,828

Proprietary Fund Financial Statements

The ***Water Supply and Distribution Fund*** accounts for all revenues and expenses related to the City-operated water utility.

The ***Wastewater Management Fund*** accounts for all revenues and expenses related to the City-operated sewer collection and Water Pollution Control Plant systems.

The ***Solid Waste Management Fund*** accounts for the revenues and expenses related to the City's refuse collection and solid waste disposal services.

The ***SMaRT Station® Fund*** accounts for the revenues and expenditures associated with the operations of the Sunnyvale Materials and Recovery Transfer Station.

The ***Community Recreation Fund*** accounts for revenues and expenses related to the two City-operated golf courses, tennis center, and recreation classes and services offered by the City.

The ***Information Technology Fund*** accounts for development activities related to a development partnership with GovPartners.

CITY OF SUNNYVALE**Statement of Net Assets
Proprietary Funds
June 30, 2003**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Assets:			
Current Assets			
Cash and Investments Held by City (Note 2)	\$ 3,452,562	\$ 4,450,793	\$ 8,992,676
Cash and Investments Held by Fiscal Agent (Note 2)	1,031,196	14,370,282	-
Receivables, Net (Note 3)	1,216,223	963,625	1,729,396
Intergovernmental Receivables (Note 3)	63,885	8,784	109,009
Advances to Other Funds (Note 5)	75,605	-	-
Inventories and Prepayments	-	-	-
Total Current Assets	5,839,471	19,793,484	10,831,081
Noncurrent Assets			
Advances to Other Funds (Note 5)	1,149,818	-	-
Deferred Charges	-	-	-
Capital Assets (Note 6):			
Land & Nondepreciable Assets	2,138,014	4,614,218	26,596
Depreciable Assets, Net	34,047,864	25,536,203	860,860
Total Noncurrent Assets	37,335,696	30,150,421	887,456
Total Assets	43,175,167	49,943,905	11,718,537
Liabilities:			
Current Liabilities			
Wages Payable	-	-	-
Accounts Payable and Accrued Liabilities	1,407,364	396,565	1,385,760
Advances from Other Funds	-	-	75,605
Refundable Deposits	28,621	7,291	91,921
Interest Payable	152,638	208,963	-
Claims and Judgments Payable - Due Within One Year (Note 8)	-	-	-
Compensated Absences Payable - Due Within One Year (Note 8)	-	-	-
Long-term Debt - Due Within One Year (Note 7)	502,319	687,681	-
Total Current Liabilities	2,090,942	1,300,500	1,553,286
Noncurrent Liabilities			
Advances from Other Funds	1,729,920	15,425,239	21,560,235
Claims and Judgments Payable - Due in More than One Year (Note 8)	-	-	-
Compensated Absences Payable - Due in More than One Year (Note 8)	-	-	-
Landfill Closure and Postclosure Costs (Note 8)	-	-	4,226,097
Long-term Debt - Due in More than One Year (Note 7)	9,559,497	19,990,362	-
Total Noncurrent Liabilities	11,289,417	35,415,601	25,786,332
Total Liabilities	13,380,359	36,716,101	27,339,618
Net Assets (Note 14):			
Invested in Capital Assets, Net of Related Debt	26,124,062	9,472,378	887,456
Restricted for Debt Service	1,031,196	1,500,739	-
Restricted for Capital Projects	-	12,869,543	-
Unrestricted	2,639,550	(10,614,856)	(16,508,537)
Total Net Assets	\$ 29,794,808	\$ 13,227,804	\$ (15,621,081)

See Accompanying Notes to Basic Financial Statements

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Major Enterprise Funds			Total Enterprise Funds	Governmental Activities Internal Service Funds
SMaRT Station	Community Recreation	Information Technology		
\$ 5,968,500	\$ 1,200,893	\$ -	\$ 24,065,424	\$ 59,091,348
1,978,665	-	-	17,380,143	-
31,706	62,961	-	4,003,911	924,007
-	-	-	181,678	57,907
-	-	-	75,605	-
20,566	4,504	-	25,070	47,124
7,999,437	1,268,358	-	45,731,831	60,120,386
-	-	-	1,149,818	-
837,674	-	-	837,674	-
-	9,683,604	-	16,462,432	-
19,070,442	5,818,431	-	85,333,800	13,050,033
19,908,116	15,502,035	-	103,783,724	13,050,033
27,907,553	16,770,393	-	149,515,555	73,170,419
-	-	-	-	798,792
2,474,833	234,137	-	5,898,659	798,341
-	-	-	75,605	-
-	28,408	-	156,241	30,449
233,403	-	-	595,004	-
-	-	-	-	4,484,692
-	-	-	-	715,997
1,025,000	-	-	2,215,000	-
3,733,236	262,545	-	8,940,509	6,828,271
-	-	-	38,715,394	2,965,291
-	-	-	-	9,345,308
-	-	-	-	6,408,183
-	-	-	4,226,097	-
19,417,532	-	-	48,967,391	-
19,417,532	-	-	91,908,882	18,718,782
23,150,768	262,545	-	100,849,391	25,547,053
(1,372,090)	15,502,035	-	50,613,841	13,050,033
1,978,665	-	-	4,510,600	-
-	-	-	12,869,543	-
4,150,210	1,005,813	-	(19,327,820)	34,573,333
\$ 4,756,785	\$ 16,507,848	\$ -	\$ 48,666,164	\$ 47,623,366

CITY OF SUNNYVALE**Statement of Revenues, Expenses and Changes in Fund Net Assets****Proprietary Funds****Year Ended June 30, 2003**

	Major Enterprise Funds			
	Water Supply and Distribution	Wastewater Management	Solid Waste Management	SMaRT Station
Operating Revenues:				
Charges for Services	\$ 16,803,889	\$ 15,047,818	\$ 27,094,342	\$ 17,900,660
Total Operating Revenues	16,803,889	15,047,818	27,094,342	17,900,660
Operating Expenses:				
Personnel Services	2,449,276	6,250,067	846,183	179,167
Contractual	445,440	1,351,214	22,186,241	6,910,678
Materials and Supplies	557,344	2,326,869	46,141	249,102
Utilities	444,464	398,238	129,312	-
Taxes and Licenses	579,481	50,207	1,748,702	-
Equipment and Building Rental	440,185	1,239,977	56,599	9,522,572
Water Purchased for Resale	9,329,105	-	-	876
Insurance Premiums and Claims	-	-	-	-
Retirement Premiums	-	-	-	-
Other Operating Expenses	45,556	81,436	46,752	9,436
Depreciation	1,131,803	1,456,369	74,509	828,867
Total Operating Expenses	15,422,654	13,154,377	25,134,439	17,700,698
Operating Income (Loss)	1,381,235	1,893,441	1,959,903	199,962
Nonoperating Revenues (Expenses):				
Investment Earnings	324,634	490,082	642,777	136,852
Capital Grants and Contributions	214,029	82,000	1,126,925	-
Miscellaneous Revenues (Expenses)	-	-	29,769	-
Interest Expense	(721,359)	(1,852,492)	(1,432,442)	(707,555)
Gain (Loss) on Disposal of Assets	4,544	-	-	-
Total Nonoperating Revenues (Expenses)	(178,152)	(1,280,410)	367,029	(570,703)
Income (Loss) before Contributions and Transfers	1,203,083	613,031	2,326,932	(370,741)
Transfers In (Note 13)	-	-	-	796,555
Transfers Out (Note 13)	(2,546,337)	(2,689,388)	(3,014,793)	-
Change in Net Assets	(1,343,254)	(2,076,357)	(687,861)	425,814
Total Net Assets - Beginning of Year	31,138,062	15,304,161	(14,933,220)	4,330,971
Total Net Assets - End of Year	\$ 29,794,808	\$ 13,227,804	\$ (15,621,081)	\$ 4,756,785

See Accompanying Notes to Basic Financial Statements

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Major Enterprise Funds		Total Enterprise Funds	Governmental Activities
Community Recreation	Information Technology		Internal Service Funds
\$ 7,566,876	\$ 15,855	\$ 84,429,440	\$ 48,640,019
7,566,876	15,855	84,429,440	48,640,019
5,297,630	-	15,022,323	21,157,448
937,826	-	31,831,399	2,639,066
511,077	-	3,690,533	2,408,355
264,129	-	1,236,143	1,677,433
150	-	2,378,540	5,811
2,122,865	-	13,382,198	1,054,083
-	-	9,329,981	-
-	-	-	11,464,902
-	-	-	8,477,314
57,088	-	240,268	-
280,918	5,420	3,777,886	1,806,670
9,471,683	5,420	80,889,271	50,691,082
(1,904,807)	10,435	3,540,169	(2,051,063)
94,774	-	1,689,119	3,099,531
-	-	1,422,954	88,909
1,279	-	31,048	(68,372)
-	(7,660)	(4,721,508)	(193,991)
-	-	4,544	36,353
96,053	(7,660)	(1,573,843)	2,962,430
(1,808,754)	2,775	1,966,326	911,367
2,635,097	-	3,431,652	11,635,982
(992,204)	(31,685)	(9,274,407)	(559,875)
(165,861)	(28,910)	(3,876,429)	11,987,474
16,673,709	28,910	52,542,593	35,635,892
\$ 16,507,848	\$ -	\$ 48,666,164	\$ 47,623,366

CITY OF SUNNYVALE
**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2003**

	Major Enterprise Funds			
	Water Supply and Distribution	Wastewater Management	Solid Waste Management	SMaRT Station
Cash Flow from Operating Activities:				
Cash Received from Customers	\$ 16,903,548	\$ 15,132,164	\$ 25,249,876	\$ 17,925,213
Cash Payments to Suppliers of Goods and Services	(11,739,260)	(5,358,055)	(22,555,706)	(17,349,111)
Cash Payments to Employees for Services	(2,412,819)	(6,165,596)	(847,255)	(179,167)
Net Cash Provided by (Used for) Operating Activities	2,751,469	3,608,513	1,846,915	396,935
Cash Flows from Noncapital Financing Activities:				
Transfers Received	-	-	-	796,555
Transfers Paid	(2,546,337)	(2,689,388)	(3,014,793)	-
Nonoperating Miscellaneous Revenues (Expenses)	4,544	-	6,942	-
Repayment of Advance From/To Other Funds	1,799,512	-	(167,512)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(742,281)	(2,689,388)	(3,175,363)	796,555
Cash Flows from Capital and Related Financing Activities:				
Capital Grants and Contributions	5,144	-	1,179,505	-
Proceeds from Long-term Debt	-	-	-	1,987,748
Principal Paid on Long-term Debt	(485,435)	(664,565)	-	(745,000)
Interest Paid on Long-term Debt	(616,620)	(844,160)	-	(691,414)
Escrow Fees Paid	-	-	-	-
Acquisition and Construction of Capital Assets	(1,757,920)	(1,099,636)	(37,591)	-
Proceeds from Sale of Capital Assets	-	-	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(2,854,831)	(2,608,361)	1,141,914	551,334
Cash Flows from Investing Activities:				
Interest on Investments	233,756	583,936	634,036	127,462
Change in the Fair Value of Investments	7,966	10,148	28,417	6,131
Net Cash Provided by Investing Activities	241,722	594,084	662,453	133,593
Net Increase (Decrease) in Cash and Cash Equivalents	(603,921)	(1,095,152)	475,919	1,878,417
Cash and Investments - Beginning of Year	5,087,679	19,916,227	8,516,757	6,068,748
Cash and Investments - End of Year	\$ 4,483,758	\$ 18,821,075	\$ 8,992,676	\$ 7,947,165
Reconciliation to Statement of Net Assets:				
Cash and Investments Held by City	\$ 3,452,562	\$ 4,450,793	\$ 8,992,676	\$ 5,968,500
Cash and Investments Held by Fiscal Agent	1,031,196	14,370,282	-	1,978,665
Total Cash and Investments	\$ 4,483,758	\$ 18,821,075	\$ 8,992,676	\$ 7,947,165

See Accompanying Notes to Basic Financial Statements

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Major Enterprise Funds		Total Enterprise Funds	Governmental Activities Internal Service Funds
Community Recreation	Information Technology		
\$ 7,686,889	\$ 15,855	\$ 82,913,545	\$ 48,750,356
(4,245,886)	-	(61,248,018)	(28,171,514)
(5,134,449)	-	(14,739,286)	(21,676,705)
(1,693,446)	15,855	6,926,241	(1,097,863)
2,635,097	-	3,431,652	11,622,348
(992,204)	(18,051)	(9,260,773)	(559,875)
1,182	-	12,668	(63,012)
-	(36,845)	1,595,155	-
1,644,075	(54,896)	(4,221,298)	10,999,461
-	-	1,184,649	141,107
-	-	1,987,748	-
-	-	(1,895,000)	-
-	-	(2,152,194)	-
-	-	-	-
(13,121)	-	(2,908,268)	(1,594,513)
-	-	-	33,008
(13,121)	-	(3,783,065)	(1,420,398)
93,624	-	1,672,814	2,922,920
2,536	-	55,198	136,706
96,160	-	1,728,012	3,059,626
33,668	(39,041)	649,890	11,540,826
1,167,225	39,041	40,795,677	47,550,522
\$ 1,200,893	\$ -	\$ 41,445,567	\$ 59,091,348
\$ 1,200,893	\$ -	\$ 24,065,424	\$ 59,091,348
-	-	17,380,143	-
\$ 1,200,893	\$ -	\$ 41,445,567	\$ 59,091,348

Continued

CITY OF SUNNYVALE**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2003**

	Major Enterprise Funds			
	Water Supply and Distribution	Wastewater Management	Solid Waste Management	SMaRT Station
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	\$ 1,381,235	\$ 1,893,441	\$ 1,959,903	\$ 199,962
Adjustments to Reconcile Operating Income to Net Cash				
Provided (Used) by Operating Activities:				
Depreciation	1,131,803	1,456,369	74,509	828,867
Changes in Assets and Liabilities:				
Receivables, Net	91,257	86,987	112,909	
Due from Other Governments		2,319	(32,947)	
Inventories and Prepayments	-	3,828		(19,433)
Accounts Payable and Accrued Liabilities	147,174	165,569	(114,387)	(612,461)
Landfill Postclosure Care	-	-	(153,072)	-
Claims and Judgments Payable	-	-	-	-
Deferred Revenues	-	-	-	-
Compensated Absences Payable	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ 2,751,469	\$ 3,608,513	\$ 1,846,915	\$ 396,935
Noncash Investing, Capital and Financing Activities:				
Purchase of Capital Assets on Account	-	-	-	7,000
Contribution of Capital Assets	145,000	82,000	-	-
Bond Issuance Costs Withheld from Bond Proceeds	-	-	-	538,457
Debt Defeasance from Refundings	-	-	-	18,230,000

See Accompanying Notes to Basic Financial Statements

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Major Enterprise Funds		Total Enterprise Funds	Governmental Activities Internal Service Funds
Community Recreation	Information Technology		
\$ (1,904,807)	\$ 10,435	\$ 3,540,169	\$ (2,051,063)
280,918	5,420	3,777,886	1,806,670
5,501	-	296,654	(56,023)
	-	(30,628)	(57,907)
(4,004)	-	(19,609)	133,531
(63,602)	-	(477,707)	(7,357,955)
	-	(153,072)	-
	-	-	(503,000)
(7,452)	-	(7,452)	-
-	-	-	6,987,884
<u>\$ (1,693,446)</u>	<u>\$ 15,855</u>	<u>\$ 6,926,241</u>	<u>\$ (1,097,863)</u>

-	-	7,000	22,500
-	-	227,000	13,634
-	-	538,457	-
-	-	18,230,000	-

Concluded

Fiduciary Fund Financial Statements

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's programs.

CITY OF SUNNYVALE

Statement of Fiduciary Net Assets
Agency Funds
June 30, 2003

	Agency Funds
Assets:	
Cash and Investments	\$ 1,870,007
Cash and Investments Held by Fiscal Agent	1,753,001
Accounts Receivables	4,560
Interest Receivable	1,199
Total Assets	\$ 3,628,767
Liabilities:	
Short-term Agency Payables	\$ 880,825
Due to Bondholders	2,747,942
Total Liabilities	\$ 3,628,767



CITY OF SUNNYVALE

Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2002

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Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2003

1. SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Sunnyvale, California, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Sunnyvale was incorporated on December 24, 1912. The original charter of the City was prepared in accordance with the provisions of Section 8, Article XI of the Constitution of the State of California and became effective on May 18, 1949. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), library, patent library, parks, recreation, water, sewer, refuse collection and disposal, golf, traffic engineering, street maintenance, community development (planning and zoning), public improvements, and general administrative services.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the combined basic financial statements to emphasize their legal separateness from the City. Each blended component unit has a June 30 year-end. The City had no discretely presented component units. The following entities are reported as blended component units:

Redevelopment Agency of the City of Sunnyvale

The Redevelopment Agency of the City of Sunnyvale (Agency) was established under the provisions of the community redevelopment laws of the State of California by a resolution of the City Council adopted on November 19, 1957. In this resolution, the City Council declared itself to be the governing members of the Agency.

Sunnyvale Financing Authority

The Sunnyvale Financing Authority (Authority) was formed on September 22, 1992 by the Joint Exercise of Powers Agreement between the City and the Agency. The Authority was created to facilitate financing of public improvements within the City. The Authority's governing board has the same members as those on the City Council and Agency board.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

The Community Facilities Districts No. 1 and No. 2

The Community Facilities Districts No. 1 and No. 2 were created by resolutions of the City Council on February 23, 1999 and April 25, 2000, respectively. The purpose is to provide financing for the construction of parking facilities required by the remodeling of the Sunnyvale Town Center. The District's governing board has the same members as those on the City Council and Redevelopment Agency.

The Redevelopment Agency and Financing Authority's assets, liabilities, revenues and expenditures are blended into the City's Government-Wide financial statements. The Community Facilities District No. 1's assets and liabilities are presented as part of the Fiduciary funds. The Community Facilities District No. 2 had no activity.

Separately issued financial statements for the Redevelopment Agency and the Financing Authority are available at the Department of Finance, City Hall Annex. The Community Facilities Districts do not issue separate financial statements.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary Activities of the City are not included in these statements

The Government-Wide Financial Statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables including the corresponding deferred revenues. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide financial statements. The City has presented all major funds that met the qualifications for major fund reporting. In addition, the City has presented the Employment Development Fund as a major fund because the City believes the financial position and activities of the fund are significant to the City as a whole.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 90 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, taxpayer-assessed tax revenues (sales taxes, transient occupancy taxes, franchise taxes, etc.), certain grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and nonmajor funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the City applies all GASB pronouncements currently in effect as well as Financial Accounting Standard Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's Fiduciary Funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds are accounted for using the accrual basis of accounting.

C. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash, Cash Equivalents and Investments

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

E. Receivables

All receivables are shown net of an allowance for doubtful accounts. Utility revenues (water, sewer and refuse collection) are recorded as billed to customers on a cyclical basis. All utility customers are billed either monthly or bi-monthly. Amounts unbilled at June 30 are not considered material and are not recognized as revenue.

F. Property Tax Revenue

California State Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount has been approved by voters. Assessed value is calculated at 100 percent of market value as defined by Article XIII A and may be increased by no more than two percent per year unless there is new construction on the property or the property is sold or transferred. The California Legislature has determined the method of distribution of receipts from the one percent tax levy among the counties, cities, school districts, and other districts.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Santa Clara County assesses properties, bills and collects property taxes for the City. Secured and unsecured taxes are levied on the preceding March 1. Secured tax is due in two installments on November 1 and February 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payments. Unsecured tax is due as of the January 1 lien date and becomes delinquent if unpaid on August 31. A 10% penalty attaches to delinquent unsecured tax. If unsecured tax remains unpaid on October 31, an additional 1.5% attaches to it on the first day of each month until paid. The term "unsecured" refers to taxes on property not secured by liens on real property.

Property tax revenues are recorded when they become measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 90 days after the close of the current period.

The City has elected not to participate in the "Teeter Plan" offered by the County, thereby retaining the right to any interest and penalties collected on the related delinquent taxes.

G. Interfund Balances/Internal Balances

Advances to and advances from other funds represent interfund loans in the fund financial statements. Advances between funds are offset by a fund balance reservation or by deferred revenue in the applicable governmental funds to indicate that they are not expendable available financial resources. Any unpaid interest due to lack of funds in the borrowing fund increases the principal owed and is reported in the lending fund as deferred revenue.

All other outstanding balances between funds are reported as due to and due from other funds. These are generally repaid within the following fiscal year.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "internal balances."

H. Inventory of Supplies

Inventory is valued at average cost, which approximates cost as determined on a first-in-first-out basis. Inventory in the General Fund consists of expendable supplies held for consumption by all departments of the City. The cost is recorded as an expenditure or expense in the appropriate fund at the time individual inventory items are withdrawn for use (consumption method). The General Fund inventory amount is equally offset by a fund balance reservation, which indicates that it does not constitute expendable available financial resources.

I. Assets Held for Resale

Assets held for resale is carried at the lower of cost or market, but not greater than the net realizable value. In the Fund Financial Statements an amount equal to the carrying value of the asset is reserved in fund balance because such assets are not available to finance the City's current operations.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Capital Assets

Capital assets, which include land, buildings, improvements, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. City policy has set the capitalization thresholds for reporting capital assets at the following:

- General Capital Assets \$ 5,000
- Infrastructure Capital Assets \$25,000

The City has chosen the Modified Approach for reporting of the Street Pavement Subsystem infrastructure assets, and as a result no depreciation is recorded for that system. For all other assets, depreciation is recorded on a straight-line method (with half-year convention applied to the first year of acquisition) over the useful lives of the assets as follows:

- | | |
|--|---------------|
| • Buildings | 30 - 50 years |
| • Sewer collection system | 30 - 80 years |
| • Other land improvements | 30 - 80 years |
| • Water plants and wastewater plant facilities | 30 - 40 years |
| • Golf courses | 10 - 40 years |
| • Equipment | 2 - 10 years |

The Governmental Accounting Standards Board (GASB) Statement No. 34 requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure assets in its Government-Wide Financial Statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include:

- Street system
- Site amenities such as parking and landscaped areas used by the City in the conduct of its business.

Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. These subsystems were not delineated in the Government-Wide Financial Statements. The appropriate operating department maintains information regarding the subsystems.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003**1. SIGNIFICANT ACCOUNTING POLICIES, Continued**

The City elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting of its Street Pavement Subsystem. Each homogeneous segment of City owned street was assigned a physical condition based on potential defects. A Pavement Condition Index (PCI) was assigned to each street segment. The index is expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned to segments of street that have the physical characteristics of a new street. The following conditions were defined:

• Excellent	86-100
• Very Good	71-85
• Good	56-70
• Fair	41-55
• Poor	26-40
• Very Poor	11-25
• Substandard	0-10

The City's policy relative to maintaining the street assets is to achieve an average rating of 75 for all street segments, which is in the "very good" range. For detailed description of the Modified Approach, see the Required Supplementary Information section of this report.

For all other infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City conducted a valuation of its infrastructure assets as of July 1, 2001. This valuation determined the original cost using one of the following methods:

- 1) Use of historical records where available.
- 2) Standard unit costs appropriate for the construction/acquisition date of the asset.
- 3) Present replacement cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date.

The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date was computed on a straight-line method using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

Interest accrued during capital assets construction, if any, is capitalized for the business-type activities and proprietary funds as part of the asset cost.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Compensated Absences

Accrued vacation pay and floating holiday pay for all regular City employees and paid time-off for management employees is recorded in the Employee Benefits Internal Service Fund and is fully funded by cash and investments. Some employees also accrue compensatory time. Sick leave for regular employees does not vest. The City's disability plan provides for wage continuation for up to ninety calendar days per illness or disability after which payments may be assumed by a long-term disability insurance carrier to the age of seventy, depending on age at time of disability. The total amount of vacation, floating holiday, compensatory time, and paid time off is included as a liability in the governmental activities of the Government-Wide financial statements.

L. Deferred Revenue

In the Government-Wide Financial Statements, deferred revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as deferred revenues in the Government-Wide Financial Statements are long-term loans receivable and prepaid charges for services.

In the Fund Financial Statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenue is recorded are grants received but not yet earned or available, interest on interfund advances receivable, long-term assessments and long-term loans receivable.

M. Claims and Judgments

Claims and judgments are recognized as expenditures when it is probable that the liability has been incurred and the amount of the loss can be reasonably estimated. The City performs an actuarial study of claims and judgments to determine liabilities on an annual basis.

N. Long-term Debt

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements

The Fund Financial Statements do not present long-term debt, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Net Assets and Fund Equity

Government-Wide Financial Statements

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

Fund Financial Statements

Fund Equity – Reservations and designations of fund balances of governmental funds and unrestricted net assets of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenditures and expenses. Actual results could differ from these estimates and assumptions.

Q. Reclassification

Certain reclassifications have been made to prior year financial data in order to conform to the current year presentation.

R. Implementation of New GASB Pronouncements

In fiscal year 2003, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- Statement No. 39, *Determining Whether Certain Organizations are Component Units*.
- Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*

There were no effects on the financial statements as a result of the above Statements.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested by the City Treasurer to enhance interest earnings. The pooled interest earned is allocated to the funds based on cash and investment balances in these funds at the end of each accounting period.

A. Deposits

The carrying amounts of the City's cash deposits were \$(637,793) at June 30, 2003. Bank balances before reconciling items were \$10,206,351 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. Investments

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments were authorized:

- Securities issued by the U.S. Treasury
- Securities issued and fully guaranteed as to payment by an agency of the U.S. Government
- Banker's acceptances
- Non-negotiable certificates of deposit
- Negotiable certificates of deposit
- Repurchase agreements
- California Local Agency Investment Fund (State Pool)
- Corporate medium-term notes
- Mortgage pass-through securities and asset-backed securities
- Money market mutual funds

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003**2. CASH AND INVESTMENTS, Continued****B. Investments, Continued**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds and component units, resulting in the following investment income in all funds and component units:

Realized loss on matured investments	\$ (1,149,518)
Unrealized gain in changes in fair value of investments	<u>1,736,622</u>
Net unrealized gain	587,104
Interest income	<u>18,348,206</u>
Total investment income	<u>\$ 18,935,310</u>

The City portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates have risen, the portfolio value will have declined. If interest rates have fallen, the portfolio value will have risen. In accordance with GASB Statement No. 31, the portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. The City's policy is to buy and hold investments until their maturity dates.

C. Credit Risk

Governmental Accounting Standards Board Statement No. 3 requires that deposits and investments be classified by credit risk as follows:

Deposits:

Category 1 – Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Deposits which are uninsured or uncollateralized.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

2. CASH AND INVESTMENTS, Continued

C. Credit Risk, Continued

Investments:

Category 1 – Insured or registered or securities held by the entity or its agent in the entity’s name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the entity’s name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity’s name.

Investments Not Subject to Categorization - Investments in the California Local Agency Investment Fund (LAIF) are not categorized, as GASB Statement No. 3 does not require categorization of investment pools managed by another government. Certain fiscal agent investments are not categorized because the underlying assets are open-ended mutual funds. Guaranteed investment contracts are not categorized because they are direct contractual investments and are not securities. All such investments are not required to be categorized under interpretive guidelines issued by the GASB.

D. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2003:

	Government-Wide Statement of Net Assets			Funds Financials	
	Governmental	Business-Type		Fiduciary Funds	
	Activities	Activities	Total	Statement of	
				Net Assets	Total
Cash and Investments	<u>\$ 201,162,504</u>	<u>\$ 24,065,424</u>	<u>\$ 225,227,928</u>	<u>\$ 1,870,007</u>	<u>\$ 227,097,935</u>
Restricted Cash and Investments	<u>\$ 3,668,300</u>	<u>\$ 17,380,143</u>	<u>\$ 21,048,443</u>	<u>\$ 1,753,001</u>	<u>\$ 22,801,444</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

2. CASH AND INVESTMENTS, Continued

Cash (deposits) and investments were categorized as follows at June 30, 2003:

	Category		Uncategorized	Fair Value
	1	2		
City Treasury:				
Deposits:				
Deposit	\$ (637,793)	\$ -	\$ -	\$ (637,793)
Total deposits	<u>(637,793)</u>	<u>-</u>	<u>-</u>	<u>(637,793)</u>
Investments:				
Medium Term Notes	-	3,819,121	-	3,819,121
Union Bank Investments	8,020,000	-	-	8,020,000
Securities of U.S. government agencies				-
FFCB	19,607,353	-	-	19,607,353
FHLB	64,530,422	-	-	64,530,422
FHLMC	42,566,830	-	-	42,566,830
FNMA	33,520,062	-	-	33,520,062
GNMA	64,533	-	-	64,533
US Treasury	32,863,438	-	-	32,863,438
Total Securities of US Government Agencies	193,152,638	-	-	193,152,638
Local Agency Investment Funds	-	-	22,743,969	22,743,969
Total investments	<u>201,172,638</u>	<u>3,819,121</u>	<u>22,743,969</u>	<u>227,735,728</u>
Total City Treasury	<u>200,534,845</u>	<u>3,819,121</u>	<u>22,743,969</u>	<u>227,097,935</u>
Restricted Cash and Investments:				
Cash with Fiscal Agents	-	22,801,444	-	22,801,444
Total restricted cash and investments	<u>-</u>	<u>22,801,444</u>	<u>-</u>	<u>22,801,444</u>
Total cash and investments	<u>\$ 200,534,845</u>	<u>\$ 26,620,565</u>	<u>\$ 22,743,969</u>	<u>\$ 249,899,379</u>

At June 30, 2003, the City had no category 3 investments.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003**2. CASH AND INVESTMENTS, Continued*****E. Investments in Local Agency Investment Funds***

The City's investments with the Local Agency Investment Fund (LAIF), a State of California investment pool, at June 30, 2003, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2003, the City had \$22,743,969 invested in LAIF, which had invested 2.327% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City valued its investments in LAIF as of June 30, 2003, by multiplying its account balance with LAIF by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.002846280.

F. Summary of Investments to Maturity

Investments held in the City Treasury grouped by maturity date at June 30, 2003, are shown below:

<u>Maturity</u>	
Current to One Year	\$ 103,088,718
Two to Three Years	101,373,485
Four to Five Years	23,167,000
Over Five Years	<u>106,525</u>
Total	<u><u>\$ 227,735,728</u></u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

3. RECEIVABLES

Government Wide Financial Statements

At June 30, 2003, the Government-Wide Financial Statements show the following miscellaneous receivables net of allowances for uncollectible amounts:

	Governmental Activities	Business-Type Activities	Total
Accounts	\$ 291,567	\$ 3,512,568	\$ 3,804,135
Taxes	2,378,796	-	2,378,796
Interest	2,435,300	292,899	2,728,199
Other	556,815	198,444	755,259
	<u>\$ 5,662,478</u>	<u>\$ 4,003,911</u>	<u>\$ 9,666,389</u>

See the Fund Financial Statements section below for detail explanations for all other receivables.

Fund Financial Statements

At June 30, 2003, the Fund Financial Statements show the following receivables:

A. Accounts Receivable

Accounts receivable consisted of amounts accrued in the ordinary course of operations. The total amount of accounts receivable for each major fund and nonmajor fund in the aggregate as of June 30, 2003, were as follows:

Governmental Funds:	
General Fund	\$ 179,400
Nonmajor Funds	30,486
Total Governmental Funds	<u>209,886</u>
Proprietary Funds:	
Water Supply and Distribution Enterprise Fund	990,859
Wastewater Management Enterprise Fund	893,965
Solid Waste Management Enterprise Fund	1,582,510
Community Recreation Enterprise Fund	45,235
Internal Service Funds	81,680
Total Proprietary Funds	<u>3,594,249</u>
Total	<u><u>\$ 3,804,135</u></u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

3. RECEIVABLES, Continued

B. Taxes Receivable

At June 30, 2003, the City had taxes receivable in the following major funds and nonmajor funds in the aggregate:

Governmental Funds:

	Property Taxes	Sales Taxes	Transient Occupancy Taxes	Utility Users Taxes	Total
General Fund	\$ 577,929	\$ 776,297	\$ 457,387	\$ 549,617	\$ 2,361,230
Nonmajor Funds	17,566	-	-	-	17,566
Total	<u>\$ 595,495</u>	<u>\$ 776,297</u>	<u>\$ 457,387</u>	<u>\$ 549,617</u>	<u>\$ 2,378,796</u>

C. Interest Receivable

Interest receivable consists of interest from investments pooled by the City, which is distributed among the funds according to their ending cash balances at the end of the accounting period, and interest receivable on restricted investments held by fiscal agents which are recorded in the funds holding the investment. The interest receivable as of June 30, 2003, was as follows:

	City Pooled Investments	Fiscal Agent Investments	Total
Governmental Funds:			
General Fund	\$ 950,834	\$ -	\$ 950,834
Redevelopment Debt Service Fund	-	339	339
City Projects Fund	213,056	-	213,056
Nonmajor Funds	558,984	5,450	564,434
Total Governmental Funds	<u>1,722,874</u>	<u>5,789</u>	<u>1,728,663</u>
Proprietary Funds:			
Water Supply and Distribution Enterprise Fund	41,175	-	41,175
Wastewater Management Enterprise Fund	52,455	6,441	58,896
Solid Waste Management Enterprise Fund	146,885	-	146,885
SMART Station Enterprise Fund	31,688	18	31,706
Community Recreation Enterprise Fund	14,237	-	14,237
Internal Service Funds	706,637	-	706,637
Total Proprietary Funds	<u>993,077</u>	<u>6,459</u>	<u>999,536</u>
Total Governmental and Proprietary Funds	<u>2,715,951</u>	<u>12,248</u>	<u>2,728,199</u>
Agency Funds	<u>1,199</u>	<u>-</u>	<u>1,199</u>
Total Interest Receivable	<u>\$ 2,717,150</u>	<u>\$ 12,248</u>	<u>\$ 2,729,398</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003**3. RECEIVABLES, Continued****D. Other Receivables**

At June 30, 2003 other miscellaneous receivables were reported in the following funds:

Governmental Funds:	
General Fund	\$ 282,018
Employment Development Special Revenue Fund	4,257
Nonmajor Funds	<u>134,851</u>
Total Governmental Funds	<u>421,126</u>
Proprietary Funds:	
Water Supply and Distribution Enterprise Fund	184,189
Wastewater Management Enterprise Fund	10,765
Community Recreation Enterprise Fund	3,489
Internal Service Funds	<u>135,690</u>
Total Proprietary Funds	<u>334,133</u>
Total	<u><u>\$ 755,259</u></u>

E. Intergovernmental Receivables

Intergovernmental receivables are incurred as a result of grants and other intergovernmental revenue the City has earned but not yet received. At June 30, 2003, the City had intergovernmental receivables in the following major funds and nonmajor funds in the aggregate:

Governmental Funds:	
General Fund	\$ 194,242
Employment Development Special Revenue Fund	1,254,238
City Projects Fund	1,869,324
Nonmajor Funds	<u>757,640</u>
Total Governmental Funds	<u>4,075,444</u>
Proprietary Funds:	
Water Supply and Distribution Enterprise Fund	63,885
Wastewater Management Enterprise Fund	8,784
Solid Waste Management Enterprise Fund	109,009
Internal Service Funds	<u>57,907</u>
Total Proprietary Funds	<u>239,585</u>
Total	<u><u>\$ 4,315,029</u></u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003**3. RECEIVABLES, Continued****F. Other Long-term Receivables**

At June 30, 2003, the City had the following long-term receivables:

Governmental Funds:

	<u>General Fund</u>
Sunnyvale School District	\$ 2,436,928
Sunnyvale Community Services	1,769,662
Loans to City Employees	<u>4,478,140</u>
Total	<u>\$ 8,684,730</u>

Sunnyvale School District

During fiscal year 1992-93, the City issued \$2,310,000 Certificates of Participation (ABAG 27 Series A) to acquire and install modular classroom buildings on sites owned by the Sunnyvale School District. During fiscal year 1997-98, the City issued \$1,935,000 Certificates of Participation (ABAG 39) to acquire relocatable classroom buildings on sites owned by the Sunnyvale School District.

The above debt issuances were to provide childcare and preschool education services within the boundaries of the City for the benefit of the Sunnyvale School District (District). The District leases the modular classroom buildings from the City and pays semi-annual rent. The lease payments will expire in fiscal year 2006-07 for ABAG 27 Series A project and in fiscal year 2012-2013 for ABAG 39 project.

At June 30, 2003, loans receivable related to ABAG 27 Series A and ABAG 39 projects amounted to \$926,521 and \$1,510,406 respectively for a total of \$2,436,928.

A corresponding deferred revenue was recorded in the Fund Financial Statements as this amount is not available to meeting current liability requirements. In the Government-Wide Financial Statements, both the receivable and the deferred revenue were eliminated.

Sunnyvale Community Services

On April 1, 2003, the City entered into an agreement with Sunnyvale Community Services (SCS), a non-profit organization, to loan \$1,755,000 to SCS for the purchase of facilities to house both its offices and its food storage requirements. SCS had intended to purchase the facilities from the proceeds of sale of a land donation made by a local corporation. SCA has not yet sold the donated land because of market conditions. For a number of years, SCS had occupied offices in property leased by the City with no charge for rent. Because that facility was no longer available, the City agreed to provide interim funding to SCS to purchase the needed facilities. The loan is secured by a first trust deed on the donated land. The loan accrues interest at a rate equal to the interest earned on the City's portfolio and is compounded monthly. The principal and all accrued interest is payable by April 15, 2005 or upon the sale of the donated land whichever occurs sooner.

At June 30, 2003, the balance on the loan was \$1,769,662, which included accrued interest of \$14,662.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003**3. RECEIVABLES, Continued****F. Other Long-term Receivable, Continued****Loans to City Employees**

In 1981, the City Council established a mortgage loan program for Council-appointed officers and department heads. The program was designed to keep the cost of housing from limiting the number of qualified applicants for senior executive positions. All loans are secured by a deed of trust, carry interest at rates ranging from 3.879% to 6.845%, and have repayment terms of up to 45 years. As of June 30, 2003, the City has ten loans outstanding to City employees totaling \$4,478,140 including accrued interest of \$323,502, which is recorded as deferred revenue.

G. Housing Loans Receivable**Governmental Funds:**

	<u>Nonmajor Funds</u>
CDBG Loans	\$ 10,054,959
Housing Mitigation Loans	2,537,936
Rental Rehabilitation Loans	46,846
HOME Loans	<u>4,836,103</u>
Total	<u>\$ 17,475,844</u>

Community Development Block Grant (CDBG) Loans

The City had made several loans totaling \$10,054,959 to qualified applicants using Community Development Block Grants. These loans can be used for the acquisition and development of new affordable housing units. Loans are also available to low-income households for the rehabilitation of single family and mobile homes.

Housing Mitigation Loans

The City has made several housing mitigation loans totaling \$2,537,936. These loans are given to qualified applicants and can be used for acquisition, rehabilitation, new construction and predevelopment costs of affordable housing.

Rental Rehabilitation Loans

The City has made several loans totaling \$46,846 for rehabilitation of rental property. The program is no longer active and any amounts outstanding are from old loans.

HOME Loans

The City has made several loans totaling \$4,836,103 using Federal HOME funds for the construction, rehabilitation, or acquisition of housing for low-income households.

All housing loans are secured by a deed of trust with interest rates ranging from 3% to 5% and repayment terms from 10 to 55 years. Since repayments of these loans is not assured until cash is received, and in many cases many of the loans are forgiven, an offsetting amount has been recorded as deferred revenues in the Fund Financial Statements. In the Government-wide Financial Statements, both the receivable and the deferred revenues are eliminated.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

4. DEFERRED REVENUE

Government-Wide Financial Statements

Deferred revenues in Government-Wide Financial Statements represent amounts for which revenues have not been earned. At June 30, 2003, deferred revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities
Prepaid rent	\$ 6,925
Leases received in advance	198,978
Unearned grant revenues	229,207
	<u>\$ 435,110</u>

Fund Financial Statements

At June 30, 2003, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

Governmental Funds:

	General Fund	Employment Development Fund	City Projects	Non-Major Funds	Total
Interest Accruals:					
Loans to City employees	\$ 323,501	\$ -	\$ -	\$ -	\$ 323,501
Sunnyvale Community Services Loan	14,663	-	-	-	14,663
Interfund loans	49,688,423	-	-	-	49,688,423
Prepaid rent	6,925	-	-	-	6,925
Long-term leases receivable	2,635,906	-	-	-	2,635,906
Long-term housing loans receivable	-	-	-	17,559,692	17,559,692
Unearned grant revenues	-	7,477	221,730	-	229,207
	<u>-</u>	<u>7,477</u>	<u>221,730</u>	<u>-</u>	<u>229,207</u>
Total	<u>\$ 52,669,418</u>	<u>\$ 7,477</u>	<u>\$ 221,730</u>	<u>\$ 17,559,692</u>	<u>\$ 70,458,317</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

5. INTERFUND RECEIVABLES/PAYABLES

A. Due to/from Other Funds

The composition of due to/from other funds as of June 30, 2003 is as follows:

Due to other funds					
Governmental Activities					
	Employment Development	Nonmajor Funds			Totals
		Redevelopment Agency	Transportation Development Act	Swirsky Youth	
Governmental Activities					
General Fund	\$ 108,347	\$ -	\$ 133,925	\$ 68,584	\$ 310,856
Nonmajor Fund:					
Low and Moderate Income Housing	-	4,661,606	-	-	4,661,606
Totals	<u>\$ 108,347</u>	<u>\$ 4,661,606</u>	<u>\$ 133,925</u>	<u>\$ 68,584</u>	<u>\$ 4,972,462</u>

The amounts due to the General Fund from other funds are due to cash flow needs of the receiving funds at June 30. These amounts are repaid shortly after the end of the year, as cash becomes available to these funds.

The amount of \$4,661,606 represents the 20% of redevelopment property tax increment revenues that are set aside for low and moderate income housing by State law. The Agency cannot provide funding due to pre-existing bonded debt and other obligations. The advance carries no interest and has no specific repayment terms.

B. Advances to/from Other Funds

The composition of advances to/from other funds as of June 30, 2003 is as follows:

Advances due to other funds						
	Governmental Activities		Business-Type Activities			Totals
	Redevelopment Agency Debt Service	Internal Service General Services	Water Supply and Distribution	Wastewater Management	Solid Waste Management	
Governmental Activities						
General Fund	\$ 45,906,759	\$ 2,965,291	\$ 1,729,920	\$ 15,425,239	\$ 20,410,417	\$ 86,437,626
Business-Type Activities						
Water Supply and Distribution	-	-	-	-	1,225,423	1,225,423
Totals	<u>\$ 45,906,759</u>	<u>\$ 2,965,291</u>	<u>\$ 1,729,920</u>	<u>\$ 15,425,239</u>	<u>\$ 21,635,840</u>	<u>\$ 87,663,049</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

5. INTERFUND RECEIVABLES/PAYABLES, Continued

The Redevelopment Agency (as lessor) entered into a lease agreement with the City (as lessee) on May 1, 1977, for a two-level parking structure at the Sunnyvale Town Center Mall. The lease, as amended, requires the City to pay to the Agency base rental payments ranging from \$1,131,103 to \$1,281,250 on October 1 and April 1 of each year until October 1, 2022. In addition to base rental payments, the City is also obligated to pay all taxes, assessments, administrative costs, certain insurance premiums, certain maintenance costs, and all other such costs in order to maintain the existence of the parking structure or to comply with the terms of the related bond resolutions. During the fiscal year ended June 30, 2003, the City made \$1,215,678 in base rental payments to the Agency. According to the terms of the First Amended Repayment Contract, the Agency made the commitment to repay the City for costs advanced on its behalf and base rentals plus 8% interest thereon. The funds needed to repay the City are generated from tax increment revenues. The remaining tax increment revenues determine each year's repayment to the General Fund after paying the Central Core bonded debt service. Repayments totaling \$2,017,577 were made during the fiscal year ended June 30, 2003. However, during the year, in addition to base rental payments, the General Fund also made additional advances of \$771,170 to cover the Agency's operating and project expenditures.

During the fiscal year ended June 30, 2003, the City purchased property located at 239 Commercial Street to provide additional space for Public Works Corporation Yard. The total purchase price of \$2,530,000 was funded by the City's water and wastewater enterprise funds based on the number of staff located at the corporation yard. Using this methodology, the Water Fund's share of the costs amounted to 64% or \$1,632,000, and the Wastewater Fund's share amounted to 36% or \$918,000. The Wastewater Fund had sufficient funds for the purchase. However, because the Water Fund did not have sufficient funds, the General Fund agreed to loan the Water Fund the amount of \$1,632,000. The loan accrues interest of 6% starting in fiscal year 2003. Payments are scheduled to begin in fiscal year 2008 through fiscal year 2026. At June 30, 2003, the balance on the loan was \$1,729,920, which included accrued interest of \$97,920.

During the fiscal year ended June 30, 2002, the General Fund advanced \$1,500,000 to the Agency to fund downtown public improvements. This advance bears interest at 6% and is payable in annual installments through 2007.

During fiscal year ended June 30, 2000, the General Fund advanced \$2,000,000 to the General Services Internal Service Fund for cash flow purposes. The advance bears interest at 7% and is payable in annual installments, including interest, of \$523,510 starting fiscal year 2009-10 through fiscal year 2018-19. Unpaid interest increases the principal due. During fiscal year 2000-01, the General Fund advanced an additional \$450,000 to the General Services Internal Service Fund for cash flow purposes. The advance bears interest at 7% and is payable in annual installments of \$20,000 to \$22,729, including interest, from fiscal year 2007-08 to fiscal year 2011-12 and \$243,659 from fiscal year 2012-13 to fiscal year 2015-16.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

5. INTERFUND RECEIVABLES/PAYABLES, Continued

During the fiscal year ended June 30, 1981, the General Fund advanced to the Wastewater Management Fund \$10,700,000 for the purpose of remodeling the primary facilities of the wastewater treatment plant and expanding the plant capacity from 22.5 million gallons per day to 29.5 million gallons per day. Starting from fiscal year 1994-95, the interest charged to the Wastewater Management Fund has been reduced from 12% to 7%. Unpaid interest has increased the principal due to the General Fund. Annual installments of \$1,318,988, including interest, were budgeted through fiscal year 2015-16. During fiscal year 1995-96, the General Fund advanced an additional \$2,453,635 to the Wastewater Management Fund for cash flow purposes. The interest accrued on the unpaid principal increased the amount due to the General Fund. The advance bears interest at 7% and is budgeted to be paid in annual installments, including interest, of \$329,421 through fiscal year 2015-16.

During fiscal years June 30, 1985, 1988 and 1989, the General Fund advanced to the Solid Waste Management Fund a total of \$3,480,000 to construct and operate a system to convert methane gas to a marketable form of energy. Between fiscal years 1994-95 and 1998-99, the General Fund advanced a total of \$10,505,152 to the Solid Waste Management Fund for the purpose of stabilizing the rates charged to utility customers in the long run. The advances bear interest at 7%. Unpaid interest increases the principal balance. Repayments of \$2,459,103 are scheduled to be made each year from fiscal year 2009-10 to fiscal year 2013-14, including interest, and \$4,103,212 each year from fiscal year 2014-15 to fiscal year 2023-24.

During fiscal year ended June 30, 1994, the Water Supply and Distribution Fund advanced \$1,707,698 to the Solid Waste Management Fund to finance a portion of the cost to place a final cover on the City's landfill. The advance bears interest at 7.5% and is payable in annual installments, including interest, of \$167,512 through fiscal year 2013-14.

6. CAPITAL ASSETS

The City elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its pavement system. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of the "Modified Approach" is presented in the Required Supplementary Information section of this report. All other capital assets including other infrastructure systems were reported using the Basic Approach whereby accumulated depreciation and depreciation expense have been recorded. The following table presents summary information on capital assets.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements

At June 30, 2003, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Totals
Nondepreciable Assets:			
Land	\$ 104,032,562	\$ 16,258,469	\$ 120,291,031
Construction in Progress	10,661,081	203,963	10,865,044
Infrastructure - Streets	156,546,282	-	156,546,282
Total Nondepreciable Assets	271,239,925	16,462,432	287,702,357
Depreciable Assets:			
Buildings	78,760,078	21,938,146	100,698,224
Improvements	58,201,042	130,135,565	188,336,607
Equipment	30,147,251	736,935	30,884,186
Infrastructure:			
Sidewalks	32,446,650	-	32,446,650
Curbs and Gutters	30,053,507	-	30,053,507
Street Lights	2,774,164	-	2,774,164
Traffic Signals	2,868,668	-	2,868,668
Total Depreciable Assets	235,251,360	152,810,646	388,062,006
Less Accumulated Depreciation	(103,552,251)	(67,476,846)	(171,029,097)
Total Depreciable Assets, Net	131,699,109	85,333,800	217,032,909
Total Capital Assets	\$ 402,939,034	\$ 101,796,232	\$ 504,735,266

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

6. CAPITAL ASSETS, Continued

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2002	Additions	Deletions	Change in Inventory	Balance June 30, 2003
Nondepreciable Assets:					
Land	\$ 119,171,150	\$ -	\$ (127,700)	\$ (15,010,888)	\$ 104,032,562
Infrastructure - Streets	156,237,282	309,000	-	-	156,546,282
Construction in Progress	21,216,274	7,306,474	(17,861,667)	-	10,661,081
Total Nondepreciable Assets	296,624,706	7,615,474	(17,989,367)	(15,010,888)	271,239,925
Depreciable Assets:					
Buildings and Structures	46,148,308	32,739,768	-	(128,000)	78,760,076
Improvements Other than Buildings	56,389,741	1,811,303	-	-	58,201,044
Machinery and Equipment	28,519,071	2,039,237	(411,057)	-	30,147,251
Infrastructure	66,783,197	1,359,792	-	-	68,142,989
Total Depreciable Assets	197,840,317	37,950,100	(411,057)	(128,000)	235,251,360
Accumulated Depreciation:					
Buildings and Structures	(24,710,941)	(1,773,115)	-	10,667	(26,473,389)
Improvements Other than Buildings	(17,737,415)	(1,865,529)	-	-	(19,602,944)
Machinery and Equipment	(14,651,330)	(2,295,798)	354,355	-	(16,592,773)
Infrastructure	(39,148,882)	(1,734,263)	-	-	(40,883,145)
Total Accumulated Depreciation	(96,248,568)	(7,668,705)	354,355	10,667	(103,552,251)
Depreciable Assets, Net	101,591,749	30,281,395	(56,702)	(117,333)	131,699,109
Total Governmental Activities					
Capital Assets, Net	\$ 398,216,455	\$ 37,896,869	\$ (18,046,069)	\$ (15,128,221)	\$ 402,939,034

Governmental activities depreciation expense for capital assets for the year ended June 30, 2003 are as follows:

Planning and Management	\$ 1,238,428
Public Safety	857,342
Community Development	1,435,236
Transportation	2,192,592
Socioeconomic	115,482
Cultural	1,202,371
Environmental Management	627,254
Total Depreciation Expense	\$ 7,668,705

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

6. CAPITAL ASSETS, Continued

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Nondepreciable Assets:				
Land	\$ 13,708,605	\$ 2,549,864	\$ -	\$ 16,258,469
Construction in Progress	336,770	134,638	(267,445)	203,963
Total Nondepreciable Assets	<u>14,045,375</u>	<u>2,684,502</u>	<u>(267,445)</u>	<u>16,462,432</u>
Depreciable Assets:				
Buildings and Structures	21,931,147	6,999	-	21,938,146
Improvements Other than Buildings	129,517,598	617,967	-	130,135,565
Machinery and Equipment	<u>704,975</u>	<u>64,562</u>	<u>(32,602)</u>	<u>736,935</u>
Total Depreciable Assets	<u>152,153,720</u>	<u>689,528</u>	<u>(32,602)</u>	<u>152,810,646</u>
Accumulated Depreciation:				
Buildings and Structures	(17,488,867)	(530,650)	-	(18,019,517)
Improvements Other than Buildings	(45,797,946)	(3,178,544)	-	(48,976,490)
Machinery and Equipment	<u>(431,113)</u>	<u>(68,692)</u>	<u>18,966</u>	<u>(480,839)</u>
Total Accumulated Depreciation	<u>(63,717,926)</u>	<u>(3,777,886)</u>	<u>18,966</u>	<u>(67,476,846)</u>
Depreciable Assets, Net	<u>88,435,794</u>	<u>(3,088,358)</u>	<u>(13,636)</u>	<u>85,333,800</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 102,481,169</u>	<u>\$ (403,856)</u>	<u>\$ (281,081)</u>	<u>\$ 101,796,232</u>

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2003 are as follows:

Water Supply and Distribution	\$ 1,131,803
Wastewater Management	1,456,369
Solid Waste Management	74,509
SMaRT Station	828,867
Community Recreation	280,918
Information Technology	<u>5,420</u>
Total Depreciation Expense	<u>\$ 3,777,886</u>

B. Fund Financial Statements

The Fund Financial Statements do not present General Government Capital Assets, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

7. LONG-TERM DEBT

A. Long-term Obligations

Following is a summary of long-term debt transactions during the fiscal year ended June 30, 2003:

Description	Beginning Balance July 1, 2002	Additions	Reductions	Bond Amortization	Ending Balance June 30, 2003	Amounts Due Within One Year
Governmental Activities:						
Parking District Bonds	\$ 145,000	\$ -	\$ (70,000)	\$ -	\$ 75,000	\$ 75,000
Special Assessment Bonds	780,000	-	(240,000)	-	540,000	260,000
Redevelopment Central Core Tax Allocation Bonds	7,625,000	-	(185,000)	-	7,440,000	195,000
Redevelopment 1998 Parking Facility Certificates of Participation	15,915,000	-	(465,000)	-	15,450,000	485,000
ABAG 1993 Certificates of Participation	1,150,000	-	(165,000)	-	985,000	175,000
ABAG 1998 Certificates of Participation	1,605,000	-	(100,000)	-	1,505,000	105,000
Government Center Site Acquisition Certificates of Participation	18,350,000	-	(370,000)	-	17,980,000	380,000
Total Governmental Activities	<u>\$ 45,570,000</u>	<u>\$ -</u>	<u>\$ (1,595,000)</u>	<u>\$ -</u>	<u>\$ 43,975,000</u>	<u>\$ 1,675,000</u>
Business-Type Activities:						
Utilities Revenue Bonds, 1992 Series B - Net of unamortized discount of \$679,094	18,295,906	-	(18,975,000)	679,094	-	-
Water and Wastewater Revenue Bonds Series 2001 - Net of unamortized discount of \$225,141	31,876,649	-	(1,150,000)	13,210	30,739,859	1,190,000
Solid Waste Revenue Bonds Series 2003 - Net of unamortized discount of \$132,468	-	20,438,696	-	3,836	20,442,532	1,025,000
Total Business-Type Activities	<u>\$ 50,172,555</u>	<u>\$ 20,438,696</u>	<u>\$ (20,125,000)</u>	<u>\$ 696,140</u>	<u>\$ 51,182,391</u>	<u>\$ 2,215,000</u>

Parking District Bonds

\$1,500,000 1964 Parking District Municipal Improvement Bonds

Due in annual installments of \$10,000-\$75,000 through July 2, 2003, interest at 2.00-9.00%, repayments made from property tax revenues recorded in the Parking District Special Revenue Fund.

The debt service requirements for the bonds at June 30, 2003 were as follows:

Year Ending June 30,	Principal	Interest	Total
2003	<u>\$ 75,000</u>	<u>\$ 950</u>	<u>\$ 75,950</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

7. LONG-TERM DEBT, Continued

Special Assessment Debt

\$2,710,000 1989 Mary Avenue Phase V Improvement Bonds

Due in annual installments of \$100,000-\$280,000 through September 2, 2004, interest at 6.00-7.30%, repayments made from special assessment levy recorded in the Special Assessment Bonds Debt Service Fund.

The debt service requirements for the bonds at June 30, 2003 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 260,000	\$ 29,865	\$ 289,865
2005	280,000	10,220	290,220
Total	<u>\$ 540,000</u>	<u>\$ 40,085</u>	<u>\$ 580,085</u>

Tax Allocation Bonds

\$8,900,000 1992 Central Core Redevelopment Project Tax Allocation Bonds

Due in annual installments of \$115,000-\$630,000 through October 1, 2022, interest at 5.25-6.50%, repayments made from incremental property taxes recorded in the Redevelopment Agency Special Revenue Fund.

The debt service requirements for the bonds at June 30, 2003 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 195,000	\$ 470,343	\$ 665,343
2005	205,000	458,040	663,040
2006	220,000	444,810	664,810
2007	235,000	430,533	665,533
2008	250,000	415,255	665,255
2009-2013	1,505,000	1,811,183	3,316,183
2014-2018	2,045,000	1,248,325	3,293,325
2019-2023	2,785,000	475,313	3,260,313
Total	<u>\$ 7,440,000</u>	<u>\$ 5,753,802</u>	<u>\$ 13,193,802</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

7. LONG-TERM DEBT, Continued

Certificates of Participation

\$17,525,000 1998 Parking Facility, Series A, Certificates of Participation

Due in annual installments of \$315,000-\$1,250,000 through October 1, 2022, interest at 3.65%-5.00%, repayments made from base rental payments from the General Fund.

The debt service requirements for the Certificates of Participation at June 30, 2003 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 485,000	\$ 731,678	\$ 1,216,678
2005	500,000	711,728	1,211,728
2006	520,000	690,558	1,210,558
2007	545,000	667,920	1,212,920
2008	570,000	643,805	1,213,805
2009-2013	3,240,000	2,797,288	6,037,288
2014-2018	4,110,000	1,903,564	6,013,564
2019-2023	<u>5,480,000</u>	<u>720,750</u>	<u>6,200,750</u>
Total	<u>\$ 15,450,000</u>	<u>\$ 8,867,291</u>	<u>\$ 24,317,291</u>

\$2,310,000 1993 ABAG Certificates of Participation

Due in annual installments of \$110,000-\$220,000 through February 1, 2008, interest at 3.50%-6.25%, repayments made from lease revenues from the Sunnyvale School District recorded in the ABAG COP Debt Service Fund.

The debt service requirements for the Certificates of Participation at June 30, 2003 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 175,000	\$ 60,090	\$ 235,090
2005	185,000	49,765	234,765
2006	195,000	38,665	233,665
2007	210,000	26,770	236,770
2008	<u>220,000</u>	<u>13,750</u>	<u>233,750</u>
Total	<u>\$ 985,000</u>	<u>\$ 189,040</u>	<u>\$ 1,174,040</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

7. LONG-TERM DEBT, Continued

\$1,935,000 1998 ABAG Certificates of Participation

Due in annual installments of \$110,000-\$220,000 through July 15, 2013, interest at 4.40-5.20%, repayments made from lease revenues from the Sunnyvale School District recorded in the ABAG COP Debt Service Fund.

The debt service requirements for the Certificates of Participation at June 30, 2003 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 105,000	\$ 71,378	\$ 176,378
2005	110,000	66,593	176,593
2006	115,000	61,473	176,473
2007	120,000	56,008	176,008
2008	125,000	50,219	175,219
2009-2013	740,000	148,085	888,085
2014	190,000	4,940	194,940
Total	<u>\$ 1,505,000</u>	<u>\$ 458,696</u>	<u>\$ 1,963,696</u>

\$18,710,000 2001 Government Center Certificates of Participation

Due in annual installments of \$360,000-\$995,000 through April 1, 2031, variable interest rate determined weekly by the remarketing agent. Repayments are made from lease payments from the General Fund and the Enterprise Funds based on a predetermined prorata share of each activity's use of the premises.

Annual debt service requirements for the Government Center Certificates of Participation are based on a variable interest rate, which is determined by the remarketing agent as the rate which would be necessary to enable the remarketing of the COPs at 100% of the principal amount. At June 30, 2003, the average interest rate is 1.54%, which was the rate used to project the interest portion of the debt service payments for future years. This rate will change with market fluctuations.

The debt service requirements for the Certificates of Participation at June 30, 2003 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	380,000	276,892	656,892
2005	395,000	271,040	666,040
2006	410,000	264,957	674,957
2007	425,000	258,643	683,643
2008	440,000	252,098	692,098
2009-2013	2,450,000	1,153,768	3,603,768
2014-2018	2,925,000	950,950	3,875,950
2019-2023	3,500,000	708,785	4,208,785
2024-2028	4,175,000	419,265	4,594,265
2029-2031	2,880,000	89,782	2,969,782
Total	<u>\$ 17,980,000</u>	<u>\$ 4,646,180</u>	<u>\$ 22,626,180</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

7. LONG-TERM DEBT, Continued

Revenue Bonds

\$32,115,000 Water and Wastewater Revenue Bonds, Series 2001

Due in annual installments of \$1,150,000 - \$3,395,000 through October 1, 2026, interest at 2.5% - 5.17%, repayments made from net revenues of the Water Supply and Distribution and Wastewater Management Enterprise Funds. The bonds are presented net of unamortized discount of \$225,141.

The debt service requirements for the bonds at June 30, 2003 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,190,000	\$ 1,422,605	\$ 2,612,605
2005	1,230,000	1,382,200	2,612,200
2006	1,270,000	1,340,195	2,610,195
2007	1,320,000	1,294,170	2,614,170
2008	1,370,000	1,242,720	2,612,720
2009-2013	7,800,000	5,257,956	13,057,956
2014-2018	9,995,000	3,064,469	13,059,469
2019-2023	3,395,000	1,289,875	4,684,875
2024-2027	3,395,000	350,375	3,745,375
	30,965,000	16,644,565	47,609,565
Less Unamortized Discount	(225,141)	-	(225,141)
Total	<u>\$ 30,739,859</u>	<u>\$ 16,644,565</u>	<u>\$ 47,384,424</u>

\$20,575,000 Solid Waste Revenue Bonds, Series 2003

Due in annual installments of \$1,025,000 - \$1,890,000 through October 1, 2017, interest at 2.0% - 5.5%, repayments made from net revenues of the Solid Waste Enterprise Fund and monies received by the City from the cities of Mountain View and Palo Alto under the Memorandum of Understanding in connection with the City's Solid Waste Material Recovery and Transfer Station. The bonds are presented net of unamortized discount of \$132,468.

The bonds also had deferred charges of \$854,769, which were recorded as an asset and amortized over the life of the bond on a straight line basis. The balance of the deferred charges at June 30, 2003 was \$837,674.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

7. LONG-TERM DEBT, Continued

\$20,575,000 Solid Waste Revenue Bonds, Series 2003, Continued

The debt service requirements for the bonds at June 30, 2003 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,025,000	\$ 918,239	\$ 1,943,239
2005	1,065,000	881,564	1,946,564
2006	1,105,000	841,214	1,946,214
2007	1,135,000	809,679	1,944,679
2008	1,165,000	780,184	1,945,184
2009-2013	6,580,000	3,141,163	9,721,163
2014-2018	8,500,000	1,219,625	9,719,625
	20,575,000	8,591,668	29,166,668
Less Unamortized Discount	(132,468)	-	(132,468)
Total	<u>\$ 20,442,532</u>	<u>\$ 8,591,668</u>	<u>\$ 29,034,200</u>

The annual requirements to amortize long-term debt outstanding as of June 30, 2003 by activity are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	1,675,000	1,641,195	2,215,000	2,340,844
2005	1,675,000	1,567,385	2,295,000	2,263,764
2006	1,460,000	1,500,462	2,375,000	2,181,409
2007	1,535,000	1,439,873	2,455,000	2,103,849
2008	1,605,000	1,375,127	2,535,000	2,022,904
2009-2013	7,935,000	5,910,323	14,380,000	8,399,119
2014-2018	9,270,000	4,107,779	18,495,000	4,284,094
2019-2023	11,765,000	1,904,848	3,395,000	1,289,875
2024-2028	4,175,000	419,265	3,395,000	350,375
2029-2033	2,880,000	89,781	-	-
	43,975,000	19,956,038	51,540,000	25,236,233
Less Unamortized Discount	-	-	(357,609)	-
Total	<u>\$ 43,975,000</u>	<u>\$ 19,956,038</u>	<u>\$ 51,182,391</u>	<u>\$ 25,236,233</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003**7. LONG-TERM DEBT, Continued*****B. Description of New Debt*****Solid Waste Revenue Bonds, Series 2003**

On February 4, 2003, the City issued \$20,575,000 in Solid Waste Revenue Bonds, Series 2003 (2003 Bonds) with an average interest of 4.2% to defease and refund on a current basis the outstanding bonds of the Sunnyvale Financing Authority Utility Revenue Bonds, 1992 Series B, (1992 Bonds), to fund a reserve fund for the 2003 Bonds, and to pay certain costs incurred in connection with issuing the Bonds. The City refunded the 1992 Bonds to reduce its total debt service over the next 15 years by \$2 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.2 million.

The net proceeds of \$21,001,536 were used for the following purposes:

- Repay the 1992 Bonds in the amount of \$19,054,972.
- Establish a debt service reserve fund of \$1,946,564.

The Bonds are payable from and secured by the City's pledge of "net revenues" from its solid waste system and monies received by the City from the cities of Mountain View and Palo Alto under the Memorandum of Understanding and designated as debt service payments with respect to the City's Solid Waste Material Recovery and Transfer Station.

The bonds bear interest rates ranging from 2.0% to 5.5% and are payable semiannually on April 1 and October 1 of each year commencing April 1, 2003. Principal payments ranging from \$1,025,000 to \$1,890,000 are due each October 1 commencing October 1, 2003 through 2017.

C. Prior Year Defeasance of Debt

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts in amounts sufficient to meet all future debt service requirements of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2003, the following outstanding bonds are considered defeased:

1977 Central Core Redevelopment Tax Allocation Bonds (refunded in 1992)	\$	3,965,000
1977 Parking Lease Revenue Bonds, Series A and B (refunded in 1992)		6,125,000
1992 Parking Lease Revenue Refunding Bonds (refunded in 1998)		14,225,000

The City has complied with all significant bond covenants relating to reserve and sinking fund requirements, proof of insurance and budgeted revenues and maintenance costs.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

7. LONG-TERM DEBT, Continued

D. Non City Obligations

Community Facilities District

On May 16, 2001, the City issued \$36,000,000 of Special Tax Bonds pursuant to the Mello-Roos Community Facilities Act of 1982 as amended (Act) on behalf of Community Facilities District No. 1 (CFD No. 1). The CFD No. 1 bonds bear interest at 7.65% to 7.75% and mature August 1, 2032. Neither the City's General Fund nor the full faith and credit of the City is pledged for the payment of principal or interest on the CFD No. 1 bonds. The CFD No. 1 bonds will be repaid solely from the proceeds of a special tax levied upon all taxable real property in CFD No. 1. The bonds are secured by special taxes on the Sunnyvale Town Center Mall property. The proceeds of the bonds were to be used to finance certain public improvements, primarily two new parking garages.

The bond documents for the CFD No. 1 bonds stipulate that in the event the Initial Release Test is not satisfied, the bonds will be redeemed in part. In order to satisfy the Initial Release Test, the Director of Finance of the City of Sunnyvale must determine, at the time of the initial disbursement from the Escrow Fund, that several conditions have been met. The failure to satisfy the Initial Release Test would evidence circumstances relative to the construction of the Mall improvements, which could pose substantial risks to the Owner of the Bonds which are not redeemed.

Prior to the initial disbursement from the Escrow Fund, the Director of Finance determined that the Initial Release Test had not been satisfied. Therefore, bonds in the amount of \$16,010,000 were redeemed in September 2002. The principal balance of currently outstanding bonds is \$19,990,000.

The owner of the Sunnyvale Town Center Mall property initiated Chapter 11 bankruptcy proceedings on September 24, 2002 in the United States Bankruptcy Court of the Central District of California. The mall closed in the summer of 2003. The City is unable to predict the ultimate resolution of these bankruptcy proceedings. The two anchor stores (Macy's and Target) are independently owned and operated and remain open. A third anchor, previously operated as a JC Penney store, is also currently closed and the property has been purchased by a separate entity.

8. OTHER LONG-TERM LIABILITIES

Description	Beginning Balance July 1, 2002	Additions	Reductions	Ending Balance June 30, 2003	Amounts Due Within One Year
Governmental Activities:					
Self-Insurance and Contingent Liability	\$ 14,333,000	\$ 4,149,000	\$ (4,652,000)	\$ 13,830,000	\$ 4,484,692
Compensated Absences	6,490,131	634,049	-	7,124,180	715,997
Total Governmental Activities	20,823,131	4,783,049	(4,652,000)	20,954,180	5,200,689
Business-Type Activities:					
Landfill Postclosure Care Costs	4,379,169	-	(153,072)	4,226,097	-
Total	<u>\$ 25,202,300</u>	<u>\$ 4,783,049</u>	<u>\$ (4,805,072)</u>	<u>\$ 25,180,277</u>	<u>\$ 5,200,689</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

8. OTHER LONG-TERM LIABILITIES, Continued

A. Self-Insurance And Contingent Liabilities

There are several pending lawsuits in which the City is involved. The City, however, estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the combined financial statements of the City.

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has established various self-insurance programs and maintained contracts with various insurance companies to manage excessive risks.

The City is self-insured for claims related to general liability up to \$500,000 per incident; for claims related to workers' compensation liability up to \$275,000 per incident; and for unemployment insurance through direct reimbursement to the State for actual unemployment benefits paid. Employers' Reinsurance, Inc. provides workers' compensation coverage to the City for claims up to \$1,000,000 for employer's liability damages and \$10,000,000 for statutory benefits in excess of \$275,000. The City participates in the liability program of California Joint Powers Risk Management Authority (CJPRMA), a risk sharing pool, which provides public liability coverage to its members. CJPRMA provides public liability coverage for claims in excess of \$500,000 up to \$14,500,000.

The CJPRMA is a joint powers authority created by certain California cities and other joint powers authorities to provide a pooled approach for liability coverage. The CJPRMA is governed by a board of directors comprised of officials appointed by each member agency. The activities of the CJPRMA include setting and collecting premiums, administering and paying claims and related expenses and investing assets. Each member is assessed a contribution based on actuarially determined rates, which is intended to cover the CJPRMA's claims, operating costs and claim settlement expenses. Additional cash contributions may be assessed on the basis of adverse loss experiences. The CJPRMA maintains members' equity accounts for each pool member. Losses and expenses are paid from these pools up to the limit of coverage subject to the self-insured retention. Financial statements for CJPRMA for the fiscal year ended June 30, 2003 may be obtained from CJPRMA at 6140 Stoneridge Mall Road, Pleasanton, CA 94588-3235.

The City's risk management activities are accounted for in the internal service funds. Charges to the general fund and other insured funds are determined from an analysis of claims costs. Estimated liabilities are recorded in the internal service funds when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims that have been incurred but not reported (IBNRs) are also included in the liability estimates.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003**8. OTHER LONG-TERM LIABILITIES, Continued****A. Self-Insurance And Contingent Liabilities, Continued**

A summary of the changes in general and workers' compensation liabilities for the past three fiscal years follows:

General:	2002-2003	2001-2002	2000-2001
Liability at beginning of fiscal year	\$ 1,066,000	\$ 943,000	\$ 1,028,000
Claims paid	(344,000)	(205,000)	(205,986)
Current fiscal year claims and changes in estimated liability	318,000	328,000	120,986
Liability at end of fiscal year	<u>\$ 1,040,000</u>	<u>\$ 1,066,000</u>	<u>\$ 943,000</u>
Workers' Compensation:			
Liability at beginning of fiscal year	\$ 13,267,000	\$ 13,396,000	\$ 9,359,000
Claims paid	(2,063,000)	(2,119,000)	(2,215,914)
Current fiscal year claims and changes in estimated liability	1,586,000	1,990,000	6,252,914
Liability at end of fiscal year	<u>\$ 12,790,000</u>	<u>\$ 13,267,000</u>	<u>\$ 13,396,000</u>
Total estimated claims payable	<u>\$ 13,830,000</u>	<u>\$ 14,333,000</u>	<u>\$ 14,339,000</u>

Since the loss and the loss adjustment expense payments associated with the claims liabilities will be spread over several years, the liabilities are discounted to reflect anticipated investment on assets set aside to pay these costs. The claims liabilities are reported at present value, which have been computed using a discount rate of 5%, on the carrying amount of estimated general liability of \$1,088,000 and on the carrying amount of estimated workers' compensation liability of \$14,733,000.

There have been no significant reductions in any insurance coverage, nor have there been any insurance related settlements that exceeded insurance coverage during the past three fiscal years.

B. Compensated Absences

The City's compensated absences consist of accrued vacation pay, floating holiday pay for all regular employees and paid time off and floating holiday pay for management employees. Some employees also accrue compensatory time. The total amount of the accrued liability is recorded in the Employee Benefits Internal Service Fund and is combined with governmental activities in the Government-Wide Financial Statements. Charges for compensated absences are accounted for in the Employee Benefits Internal Service Fund. All other funds are charged based on salary and related expenditures.

The total amount of the liability at June 30, 2003 was \$7,124,180.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003**8. OTHER LONG-TERM LIABILITIES, Continued****C. Landfill Postclosure Care Costs**

On September 30, 1993, the City used up all of its landfill's remaining capacity. In accordance with state and federal laws and regulations, the City placed a final cover on its landfill and is required to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. At June 30, 2003 a liability in the amount of \$4,226,097 has been recognized based on the estimated remaining postclosure care costs that will be incurred over the next 20 years to meet the regulatory requirements. Postclosure care costs exceeding those required to meet regulatory requirements are incurred each year to meet local community standards. The estimated liability is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2003. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. These landfill closure and postclosure care costs will be financed by a combination of the Solid Waste Management Fund's existing cash and investments and future refuse collection charges.

9. COMMITMENTS

At June 30, 2003, the City had outstanding construction commitments for the following projects:

Project	Contract Amount	Outstanding Amount
Sunnyvale Senior Center	\$ 9,405,200	\$ 1,587,162
Sunnyvale Saratoga/Wolfe Road Overlay	1,095,154	611,048
Reconstruction of Curbs, Gutters, Sidewalks and Driveways	1,216,107	567,001
Adaptive Traffic Signal Interconnect	370,300	370,300
Java Drive Sidewalk Improvement	344,258	344,258
Tasman Light Rail Pedestrian Access	417,053	300,553
Water Pollution Control Plant NPDES Permit Compliance	2,305,000	296,926
Kifer Lift Station	362,250	231,077
Fremont/Wright Traffic Signal Installation	227,400	207,300
	<u>\$ 15,742,722</u>	<u>\$ 4,515,625</u>

10. JOINT POWERS AUTHORITY

The City is a participant along with the Cities of Campbell, Cupertino, Monte Sereno, Santa Clara and Saratoga, and the Town of Los Gatos in a joint exercise of powers agreement creating the Silicon Valley Animal Control Authority (the Authority). The Authority was formed on July 20, 2000 to provide animal control field and shelter services within the respective municipalities. The Authority is in the process of planning for the financing, acquiring and construction of a joint shelter facility.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

10. JOINT POWERS AUTHORITY, Continued

The Authority is a separate legal entity that has the right to issue bonds, enter into contracts, hire employees and contractors, acquire assets and to sue and be sued in its own name. The liabilities and obligations of the Authority are not the liabilities and obligations of any individual member municipality. The Board of Directors of the Authority are elected representatives of the member agencies consisting of two directors appointed by the City of Santa Clara, two by the City of Sunnyvale and three appointed collectively by the governing bodies of the remaining member municipalities.

On a quarterly basis, each member municipality pays its share of the operating costs of the Authority. The City's share of the Authority's costs for shelter and administrative services is 32.41%, to be adjusted from time to time based on a methodology agreed upon by member agencies. The City paid \$321,243 to the Authority during the year ended June 30, 2003. Although the Authority also provides field services to the other member municipalities, the City does not participate in those services.

Complete financial statements for the Authority can be obtained from the Silicon Valley Animal Control Authority at 2340-A Walsh Avenue, Santa Clara, CA 95051.

During 2003 the City exercised its right to withdraw from the Authority as of July 1, 2003 and make other arrangements for animal shelter services.

11. RETIREMENT PLAN

Plan Description

All permanent employees participate in the California Public Employees' Retirement System (PERS) per the City's charter. PERS is an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the State of California. PERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. Employees vest after five years of service and are eligible to receive benefits at age 50 for safety and miscellaneous (non-safety) employees. State statutes and City ordinance establish benefit provisions, which are reflected in a contract between the City and PERS. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Miscellaneous participants are required to contribute 7% of annual covered salary and safety participants are required to contribute 11.25% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account, which amounted to \$6,410,729 for the fiscal year ended June 30, 2003. The City is required to make actuarially determined employer contributions necessary to fund the benefits for its members. For the fiscal year ending June 30, 2003, the City contribution was 0% for miscellaneous employees and 6.67% for safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established annually and may be amended by PERS.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003**11. RETIREMENT PLAN, Continued****Annual Pension Cost**

For the fiscal year ending June 30, 2003 the City's annual pension cost of \$1,586,676 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2000, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75% to 14.20% for miscellaneous employees and from 4.27% to 11.59% for safety employees depending on age, service, and type of employment, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2000, was 27 years for miscellaneous and 7 years for safety employees for prior and current service unfunded liability.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/03	\$ 1,586,676	100%	\$ -
06/30/02	1,641,878	100%	-
06/30/01	-	100%	-

12. OTHER POSTEMPLOYMENT BENEFITS

By City Council resolution, the City provides medical health care benefits for retirees who elect the option under the Public Employees Medical and Hospital Care Act. The medical coverage and City contribution remain the same as at the time of retirement. Employees who have worked with an agency participating in PERS a minimum of five years are eligible. Plan participants as of June 30, 2003 totaled 472.

The cost of retiree health care is recognized as an expenditure as premiums are paid. City costs in fiscal year 2002-2003 amounted to \$2,247,467. Benefits are accounted for in the internal service funds. The City reserves a portion of retained earnings based upon an actuarial valuation to estimate future medical obligations, which amounted to \$11,250,000 at June 30, 2003.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

13. INTERFUND TRANSFERS

Fund Financial Statements

An interfund transfer is a legally authorized transfer between funds in which one fund is responsible for the initial receipt of funds and another fund is responsible for the actual disbursement. Examples include transfer of funds from the general fund or a special revenue fund to a debt service fund to support principal and interest payments, transfer of funds as part of an operating subsidy, or transfer from an enterprise fund to the general fund to finance general government expenditures. Listed below are interfund transfers for the year ended June 30, 2003:

	Transfers In							
	Governmental Activities					Business-Type Activities		
	Major Funds			Nonmajor Funds	Internal	SMaRT Station®	Community Recreation	Totals
	General Fund	Redevelopment Debt Service	City Projects		Services Funds			
Transfers Out								
Governmental Activities								
Major Funds:								
General Fund	\$ -	\$ -	\$ 8,391,446	\$ 2,381,803	\$ 911,990	\$ -	\$ 2,541,781	\$ 14,227,020
Employment Development	45,845	-	-	-	-	-	-	45,845
City Projects	-	-	-	-	10,124,336	-	-	10,124,336
Nonmajor Funds:								
Other Funds	99,041	1,862,307	1,536,288	676,720	448,312	-	93,316	4,715,984
Internal Service Funds	120,702	-	-	439,173	-	-	-	559,875
Business-Type Activities								
Major Funds:								
Water Supply and Distribution	1,839,909	-	23,143	658,624	24,661	-	-	2,546,337
Wastewater Management	2,200,863	-	7,404	394,536	86,586	-	-	2,689,388
Solid Waste Management	2,127,343	-	-	82,482	8,412	796,555	-	3,014,793
Community Recreation	884,786	-	-	107,418	-	-	-	992,204
Information Technology	-	-	-	-	31,685	-	-	31,685
Totals	\$ 7,318,489	\$ 1,862,307	\$ 9,958,281	\$ 4,740,756	\$ 11,635,982	\$ 796,555	\$ 2,635,097	\$ 38,947,467

Government-Wide Financial Statements

Per GASB Statement no. 34, all interfund transfers within governmental activities and business-type activities are eliminated. Transfers between governmental and business-type activities are shown on the Statement of Activities and Changes in Net Assets and eliminated on the total column.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

14. CLASSIFICATION OF NET ASSETS

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, Debt Service, and Specific Projects and Programs as established by the City Council.

Unrestricted Net Assets – This category represents the net assets of the City, which are not restricted for any project or other purpose.

Fund Financial Statements

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions.

In Governmental Funds, fund reservations are presented as a component of fund balance as follows:

	General Fund	Employment Development	Redevelopment Debt Service	Nonmajor Governmental Funds
Housing Mitigation	\$ -	\$ -	\$ -	\$ 2,638,333
Public Safety	-	-	-	1,740,378
Traffic Congestion Relief	-	-	-	697,808
Low and Moderate Income Housing	-	-	-	4,661,606
Restricted Donations	-	-	-	802,934
Advances to Other Funds				
Net of Deferred Revenue	36,749,203	-	-	-
Long-term Receivables				
Net of Deferred Revenue	5,710,660	-	-	-
Inventories and Prepayments	297,839	6,600	-	385
Assets Held for Resale	1,381,077	-	-	555,000
Land Acquisition	3,000,000	-	-	-
Debt Service	-	-	1,988,644	2,481,820
Total	<u>\$ 47,138,779</u>	<u>\$ 6,600</u>	<u>\$ 1,988,644</u>	<u>\$ 13,578,264</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

14. CLASSIFICATION OF NET ASSETS, Continued

Fund reservations are described as follows:

Reserved for Housing Mitigation represents the unspent portion of housing mitigation fees paid by developers. Sunnyvale Municipal Code requires developers to pay housing mitigation fees when residential units are constructed. This resolution requires that these fees paid must be used in the construction or purchase of low and moderate-income housing.

Reserved for Public Safety is used to account for drug forfeiture monies in the Asset Forfeiture Special Revenue Fund that, by Federal and State law, must be expended on drug enforcement activities. Also included in the reserve is the fund balance of the Police Service Augmentation Fund, which accounts for law enforcement grants from State and Federal governments.

Reserved for Traffic Congestion Relief represents contributions from other governmental agencies that are legally restricted for roadways and traffic improvement projects.

Reserved for Low and Moderate Income Housing represents the portion of the Redevelopment Agency's property tax increment revenues which are required by State law to be spent on housing for low and moderate income households.

Reserved for Restricted Donations represents contributions from other agencies and citizens that are legally restricted by the donors.

Reserved for Advances to Other Funds and Long-term Receivables, Net of Deferred Revenue reflect the balances due, net of deferred interest revenues, from other funds and other parties that are long-term in nature and do not represent available expendable resources of the City.

Reserved for Inventories and Prepayments reflect the carrying value of these assets. Since these assets are goods that have already been purchased, they do not represent available spendable resources of the City.

Reserved for Assets Held for Resale reflects the carrying value of properties acquired throughout the years held for economic development or other restricted purposes and represent resources unavailable for appropriations.

Reserved for Land Acquisition represents the proceeds received from downtown land exchange that will be used for purchase of downtown strategic parcels for economic development.

Reserved for Debt Service represents the portion of retained earnings that is legally restricted as per the bond covenants.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

14. CLASSIFICATION OF NET ASSETS, Continued

In Governmental Funds, fund designations are presented as a component of fund balance as follows:

	General Fund	Employment Development	City Projects	Nonmajor Governmental Funds
Unrealized Gains	\$ 2,183,532	\$ -	\$ 683,695	\$ 1,068,436
Contingencies	18,245,824	-	-	-
Service Level Stabilization	4,561,456	-	-	-
Current Capital Projects	3,959,168	-	17,421,842	12,711,319
Nonrecurring Events	995,932	-	-	-
20-Year Resource Allocation Plan	43,608,871	604,391	-	26,877,313
	<u>\$ 73,554,783</u>	<u>\$ 604,391</u>	<u>\$ 18,105,537</u>	<u>\$ 40,657,068</u>

Designated for Unrealized Gains represents management's intent not to liquidate investments to realize the reported gains in the following year.

Designated for Contingencies is established by City Council to provide funding for any significant unplanned event that may arise such as a natural disaster, a one-time loss of revenues, or to provide a buffer period in the event of a major ongoing revenue loss.

Designated for Service Level Stabilization are funds set aside by City Council to cover service changes that may result from any of the following: increase in cost of existing services due to inflationary pressures above the forecast level, cost of implementing federal or state mandates, expansion due to higher demand for operating services from the community.

Designated for Current Capital Projects reflects the amount needed to reappropriate uncompleted capital projects, special projects, and miscellaneous equipment needs in the following fiscal year.

Designated for Nonrecurring Events represents one-time money from prior year's operating results, which has been set aside for significant unfunded capital projects.

Designated for 20-Year Resource Allocation Plan are the amounts that assure, based on current estimates, the feasibility of the City's 20-year plan. It prevents the City from adding services at the top of the economic cycle that cannot be sustained, and it allows the City to maintain the Council-approved service levels during economic downturns. All funds not otherwise reserved or designated are designated for this purpose.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003

14. CLASSIFICATION OF NET ASSETS, Continued

In Proprietary funds Net Assets is separated into the three categories as explained above in the Government-Wide classification of Net Assets. The unrestricted portion of Net Assets is further reserved and designated by City Council and Management as follows:

	Water	Wastewater	Solid Waste	SMaRT Station	Community Recreation	Internal Service Funds
Contingencies	\$ 3,623,736	\$ 2,748,301	\$ 2,443,959	\$ -	\$ -	\$ -
Debt Service	1,127,425	1,525,904	74,824	-	-	-
Equipment Replacement	-	-	-	-	-	7,858,000
Capital Projects	490,631	989,827	546,964	354,520	8,000	455,128
Other Postemployment Benefits	-	-	-	-	-	12,621,191
Retirement Benefits	-	-	-	-	-	1,294,804
Rate Stabilization	885,411	8,114,807	3,765,072	-	-	-
Equipment Replacement Sinking Fund	-	-	-	-	-	13,398,828
Capital Replacement Sinking Fund	-	-	-	2,997,399	-	-
20-Year Resource Allocation Plan	-	-	-	798,291	997,813	-
Undesignated	(3,487,653)	(23,993,695)	(23,339,356)	-	-	(1,054,618)
Total	<u>\$ 2,639,550</u>	<u>\$ (10,614,856)</u>	<u>\$ (16,508,537)</u>	<u>\$ 4,150,210</u>	<u>\$ 1,005,813</u>	<u>\$ 34,573,333</u>

Contingencies are established by City Council to provide funding for any significant unplanned event that may arise such as a natural disaster, a one-time loss of revenues, or to provide a buffer period in the event of a major ongoing revenue loss.

Debt Service represents the portion of retained earnings that is legally restricted as per the bond covenants.

Equipment Replacement represents the restrictions on the use of some of the internal service funds' net resources to assure the availability of funds to replace equipment at the most cost-effective time.

Capital Projects reflects the amounts needed to reappropriate uncompleted capital projects, and special projects in the following fiscal year.

Other Postemployment Benefits represents the amount required to provide medical health care benefits for retirees as required by City Council Resolution.

Retirement Benefits represents the amount set aside to meet the City's growing retirement expense needs.

Rate Stabilization represents the restrictions on the use of some of the enterprise funds' net resources in order to minimize the fluctuation of rates charged to the City's utility customers.

Equipment Replacement Sinking Fund represents amounts in the General Services Internal Service Fund that is being accumulated for the replacement of old equipment.

Capital Replacement Sinking Fund represents amounts in the SMaRT Station Fund set aside for future capital asset needs.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2003**15. DEFICIT NET ASSETS AND FUND EQUITY****Government-Wide Financial Statements**

The business-type activities in the Government-Wide Financial Statements had deficit unrestricted net assets of \$19,327,820. This net total deficit is comprised of positive net assets in all business type activities except for deficits in the following activity:

Wastewater Management	\$ 10,614,856
Solid Waste Management	16,508,537

These deficit unrestricted net assets are due to liabilities incurred by these activities from advances made by the General Fund. These advances were used to either acquire or improve capital assets and to keep rates stable for citizens affected by these activities. The deficit net assets will be eliminated as repayments are scheduled to be made to the General Fund.

Fund Financial Statements

The following funds had deficit fund equity as of June 30, 2003:

Major Funds:	
Redevelopment Agency Debt Service Fund	\$ 45,907,420
Solid Waste Management Enterprise Fund	15,621,081
Non-Major Funds:	
Redevelopment Agency Special Revenue Fund	4,965,494

The recording of long-term advances from the General Fund to the Redevelopment Agency has caused the deficit fund equity in the Redevelopment Agency Debt Service Fund. As of June 30, 2003, total advances amounted to \$45,906,759 which includes accrued unpaid interest. The deficit is expected to be funded by transfers from the Redevelopment Agency Special Revenue Fund as tax increment revenues are collected in that fund.

The deficit fund equity in the Redevelopment Agency Special Revenue Fund has been caused by the State mandated 20% of tax increment revenues set aside for low and moderate income housing. The deficit is expected to be funded by collection of property taxes after preexisting debt obligations are paid.

The deficit in the Solid Waste Management Fund is due to several transactions. The General Fund has made advances to the Solid Waste Management Fund for construction of new facilities and for cash flow purposes. The deficit is also partially explained by the Governmental Accounting Standards Board Statement No. 18 (Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs), which requires the City to recognize, by the time a landfill is closed, all estimated total future costs related to closure and postclosure care. This fund also transferred net assets of \$2.5 million to the SMaRT Station Fund that was created in fiscal year 1996-97. Annually, through transfers, this fund pays the SMaRT Station Fund 55% of the Utilities Revenue Bonds, 1992 Series B debt service and also pays the General Fund for its general government support services. The deficit is expected to be funded by charges for services.

Required Supplementary Information

Required Supplementary Information
Fiscal Year Ended June 30, 2003

BUDGETARY POLICY AND CONTROL

Budgetary Comparison Schedule - General Fund
Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund Balance, July 1, 2002	\$ 135,268,839	\$ 135,268,839	\$ 135,268,839	\$ -
Resources (inflows):				
Property Taxes	21,529,318	23,255,628	23,868,187	612,559
Sales and Other Taxes	47,554,390	42,459,025	41,523,226	(935,799)
Intergovernmental Revenues	7,746,951	8,275,368	8,588,537	313,169
Permits and Licenses	3,482,346	2,978,697	3,133,125	154,428
Fines and Forfeitures	706,916	624,719	609,858	(14,861)
Service Fees	1,370,585	1,216,682	1,544,933	328,251
Use of Money and Property	5,660,738	5,671,361	6,638,915	967,554
Other Revenues	168,407	156,181	277,435	121,254
Transfers In	8,406,316	8,406,316	7,318,489	(1,087,827)
Total Resources	96,625,967	93,043,977	93,502,705	458,728
Charges to appropriations (outflows):				
Planning and Management	13,149,461	14,039,242	13,100,208	939,034
Public Safety	51,455,398	54,158,155	51,277,346	2,880,809
Community Development	15,715,469	16,589,972	14,407,191	2,182,781
Transportation	6,824,142	7,078,399	6,704,186	374,213
Socioeconomic	579,460	703,441	510,492	192,949
Cultural	6,542,934	7,988,858	6,606,185	1,382,673
Environmental Management	1,386,404	1,347,871	1,188,384	159,487
Capital Outlay	-	47,628	56,970	(9,342)
Transfers Out	14,936,692	15,798,852	14,227,020	1,571,832
Total charges to appropriations	110,589,960	117,752,418	108,077,982	9,674,436
Excess of resources over (under) charges to appropriations	(13,963,993)	(24,708,441)	(14,575,277)	10,133,164
Fund Balance, June 30, 2003	\$ 121,304,846	\$ 110,560,398	\$ 120,693,562	\$ 10,133,164

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2003

BUDGETARY POLICY AND CONTROL, Continued

Budgetary Comparison Schedule - Employment Development Fund
Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund Balance, July 1, 2002	\$ 402,762	\$ 402,762	\$ 402,762	\$ -
Resources (inflows):				
Intergovernmental Revenues	5,344,111	12,346,683	12,791,946	445,263
Service Fees	-	15,000	14,674	(326)
Other Revenues	1,602,000	328,000	656,137	328,137
Total Resources	6,946,111	12,689,683	13,462,757	773,074
Charges to appropriations (outflows):				
Socioeconomic	10,531,950	12,643,838	13,201,819	(557,981)
Capital Outlay	-	-	6,864	(6,864)
Transfers Out	45,845	45,845	45,845	-
Total charges to appropriations	10,577,795	12,689,683	13,254,528	(564,845)
Excess of resources over (under) charges to appropriations	(3,631,684)	-	208,229	208,229
Fund Balance, June 30, 2003	\$ (3,228,922)	\$ 402,762	\$ 610,991	\$ 208,229

BUDGETARY INFORMATION

The City's budget is presented on the GAAP basis of accounting.

Sunnyvale's approach to budget preparation is a central part of the City's Planning and Management System (PAMS). Key elements of the PAMS framework include:

- Long-range strategic planning (the General Plan Elements and Sub-Elements),
- Long-term financial planning (the Ten-Year Resource Allocation Plan, which includes projections over a 20-year time frame),
- Short-term allocation of resources (the two-year action budget),
- The Council Study Issues process,
- Performance "contracts" for Management, and
- Annual performance reporting and evaluation.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2003

BUDGETARY INFORMATION, Continued

The City in establishing the budgetary data reflected in its financial statements follows the procedures listed below:

- During December of each year, a public hearing (not legally required) is held by the City Council to obtain budgetary comments from the public early in the budget process.
- During May of each year, the City Manager submits to the City Council, a recommended budget for the fiscal year commencing July 1. The City Charter requires that the City Council receive the City Manager's budget no later than May 25.
- The City Manager's budget includes recommended expenditures for equipment, operating costs, debt service costs, and capital and special projects for the ensuing year.
- During May of each year the City Council holds a workshop on the budget. The workshop is open to the public.
- During June of each year the City Council holds a public hearing, legally required by the City Charter, where the public may submit written or oral comments regarding the entire budget or portions thereof.
- Prior to June 30 of each year, the budget as modified by the City Council, is legally enacted by adoption of a budget resolution. The legal level of control is placed by the City Council at the department and fund level. Appropriations lapse at year-end to the extent they have not been expended.
- Budgets are legally adopted for all governmental funds except for the Special Assessment Bonds Debt Service Fund, the Swirsky Youth Opportunity and the Fremont Pool Permanent Funds.

The Special Assessment Bonds Debt Service Fund has no adopted budget because the City is only required to make debt service payments to the extent of revenues collected from property owners.

The Swirsky Youth Opportunity and Fremont Pool Permanent Funds are not budgeted as only the revenues of the funds can be used for specific purposes.

Formal budgets are employed as a management control device for all funds in which a budget has been adopted. They serve as the primary means of spending control for the general fund, special revenue funds, debt service funds and capital project funds.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2003

BUDGETARY INFORMATION, Continued

- Budgeted amounts reported are those as originally adopted June 25, 2002 plus all amendments approved during the year by the City Council. Individual amendments were not material in relation to the original amounts budgeted. The City's policy is to reappropriate uncompleted capital projects into the next fiscal year.

BUDGETARY HIGHLIGHTS

The General Fund appropriations budget (outflows) was amended during the fiscal year to reflect carryover of unspent capital and special projects funds and unanticipated expenditures. Total budget modifications resulting from carryover appropriations totaled \$3,059,749 while \$3,240,549 was appropriated throughout the fiscal year for various unanticipated expenditures. Funding sources for these amendments included grant revenues, fiscal uncertainties reserve account, non-recurring events reserve account and General Fund reserves. Furthermore, an additional \$410,548 was budgeted to be transferred from the General Fund to the Debt Service Fund for debt service payments. The debt service had been appropriated in the General Fund prior to this change. Transfers from the General Fund to various other funds increased by \$234,258 for unanticipated expenditures.

Resources (inflows) of the General Fund were also amended during the fiscal year due to carryover of anticipated revenue for capital and special projects and unanticipated cost savings. Amendments related to carryover of resources related to capital and special projects totaled \$202,000. Unanticipated cost savings and adjustments to City match requirements for grants resulted in an increase of \$235,224 in the General Fund reserves. Additionally, the budgets for citywide revenues were amended as part of the budget development process. These amendments were incorporated as part of the City's Recommended Budget for FY 2003/2004. Adjustments were made to the City's budgeted revenue amounts in order to more appropriately reflect the actual trends based upon year-to-date information.

The Employment Development Special Revenue Fund budget was increased from \$10,577,795 to \$12,689,683. This amendment was required to align the appropriations budget with the grant revenue received. Furthermore, the resources were also amended to reflect the grant revenue received. The resources reflected in the original budget only included received revenue; anticipated grant revenue was not reflected.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2002**MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS**

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street system, water supply and distribution system, wastewater management system, solid waste management system, and site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the “Modified Approach” as defined by GASB Statement No. 34 for infrastructure reporting for its Streets Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following conditions:

- The City manages the eligible infrastructure capital assets using an asset management system which requires that the City (1) perform an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate the annual amounts to maintain and preserve the asset at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In September 2001, the City conducted a study to update the physical condition assessment of the streets. The streets, primarily concrete and asphalt pavements, were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right-of-way. City-owned streets are classified based on land use, access and traffic utilization into the following four classifications: arterial/major, secondary, collector and local. This condition assessment will be performed every three years. Each street was assigned a physical condition based on potential defects. A Pavement Condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street.

The following conditions were defined:

Condition	Rating
Excellent	86-100
Very Good	71-85
Good	56-70
Fair	41-55
Poor	26-40
Very Poor	11-25
Substandard	0-10

***Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2002*****MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued**

The City Policy is to achieve an average rating of 75 for all streets, which is a “very good” rating. As of June 30, 2003, the City’s street system was rated at a PCI index of 82 on the average with the detail condition as follows:

Condition	Rating
Excellent	47%
Very Good	33%
Good	15%
Fair	4%
Poor	1%

The City’s streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun’s ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City expended \$2,350,000 on street maintenance for the fiscal year ended June 30, 2003. These expenditures delayed deterioration, and maintained the conditions of the City streets. The City has estimated that the amount of annual expenditures required to maintain the City’s streets at the average PCI rating of 75 through the year 2005 is a minimum of approximately \$3,300,000. A schedule of estimated annual amount calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last three years is presented below.

Fiscal Year	Maintenance Estimate	Actual Expenditures	PCI Index
2000-2001	\$ 2,851,000	\$ 3,114,000	-
2001-2002	2,881,000	3,493,000	86
2002-2003	2,528,000	2,350,000	82

The City has an on-going street rehabilitation program that is intended to maintain the condition rating of the City Streets. The rehabilitation program is formulated based on deficiencies identified as a part of its Pavement Management System. As of June 30, 2003, approximately 5% of the City’s streets were rated below the average standard of 75. Total deferred maintenance identified in the Pavement Management System amounted to under \$1 million for all streets.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2003

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
SCHEDULE OF FUNDING PROGRESS

Miscellaneous Employees

Actuarial Valuation Date*	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Overfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Overfunded Actuarial Liability as a Percentage of Covered Payroll
Retirement Program:						
6/30/2000	\$ 174,135,294	\$ 130,717,394	\$ (43,417,900)	133.2%	\$ 37,320,637	(116.3)%
6/30/2001	181,653,245	149,244,157	(32,409,088)	121.7%	40,283,639	(80.5)%
6/30/2002	174,790,746	164,614,519	(10,176,227)	106.2%	47,284,379	(21.5)%
1959 Survivor Program:						
6/30/2000	\$ -	\$ -	\$ -	0.0%	\$ 37,320,637	0.0%
6/30/2001	-	-	-	-	40,283,639	-
6/30/2002	-	-	-	-	47,284,379	-

Safety Employees

Actuarial Valuation Date*	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Overfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Overfunded Actuarial Liability as a Percentage of Covered Payroll
Retirement Program:						
6/30/2000	\$ 195,785,802	\$ 183,682,685	\$ (12,103,117)	106.6%	\$ 19,283,098	(62.8)%
6/30/2001	200,709,746	199,894,863	(814,883)	100.4%	21,387,776	(3.8)%
6/30/2002	189,487,210	215,552,037	26,064,827	87.9%	21,765,570	119.8%
1959 Survivor Program:						
6/30/2000	\$ -	\$ -	\$ -	0.0%	\$ 19,283,098	0.0%
6/30/2001	-	-	-	-	21,387,776	-
6/30/2002	-	-	-	-	21,765,570	-

*Based on the latest actuarial valuation.

Supplementary Information



Supplementary Information



Nonmajor Governmental Funds

Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue funds used by the City in this report are listed below:

The ***Community Development Block Grant Fund*** accounts for the use of community development block grant funds received from the federal government. Other revenues in this fund include repayments of commercial and residential loans and rental income from City property. Funds are used for programs or projects that increase affordable housing and benefit people with special needs such as senior and handicapped citizens.

The ***Housing Fund*** accounts for local housing mitigation revenues and HOME grant funds from the federal government. Funds are expended on special and capital projects designed to achieve the City's goal of affordable housing and community development.

The ***Park Dedication Fund*** accounts for funds that developers contribute towards the acquisition, construction or renovation of neighborhood parks.

The ***Asset Forfeiture Fund*** accounts for the proceeds from sale of assets seized primarily from illegal narcotics activity. Asset forfeiture funds are used for law enforcement purposes.

The ***Police Services Augmentation Fund*** accounts for monies received from the federal and state governments, which are expended to enhance law enforcement services.

The ***Gas Tax Fund*** accounts for gas tax revenues received from the State and expended for construction and maintenance of City streets.

The ***Transportation Development Act (TDA) Fund*** accounts for activities related to the TDA funds received from the State through the Metropolitan Transportation Commission, which are expended on pedestrian and bicycle projects.

The ***Youth and Neighborhood Services Fund*** accounts for revenues and operating program expenditures of the Columbia Neighborhood Center, a partnership between the City, the Sunnyvale School District and Advanced Micro Devices, a private corporation.

The ***Redevelopment Agency Fund*** accounts for the activities of the Redevelopment Agency of the City of Sunnyvale, which was created by the City council to prepare and carry out redevelopment plans for designated areas of the City.

Nonmajor Governmental Funds

The ***Low and Moderate Income Housing Fund*** accounts for funds deposited by the Redevelopment Agency of the City of Sunnyvale to improve and increase the supply of low and moderate income housing within the City.

The ***Patent Library Fund*** accounts for services and revenues of the Sunnyvale Center for Information, Innovation, and Ideas (SCI3).

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for restricted purposes. The specific permanent funds used by the City in this report are listed below:

The ***Swirsky Youth Opportunity Fund*** accounts for proceeds received from the estate of Ms. Dorolou Pierson Swirsky dedicated to providing recreation opportunities for disadvantaged youth.

The ***Fremont Pool Fund*** accounts for private donations to be used for the maintenance and operations of the Fremont High School swimming pool.

Debt Service Funds are used for the accumulation and disbursement of financial resources that will be used to make principal and interest payments on general long-term debt. The specific debt service funds used by the City in this report are listed below:

The ***ABAG Certificates of Participation Fund*** is used to accumulate funds for the payment of the 1993 and 1998 Certificates of Participation. Debt service is financed with lease revenues from the Sunnyvale School District.

The ***Special Assessment Bonds Fund*** is used to accumulate monies for payment of the City's Mary Avenue Phase IV and Phase V Improvement Bonds. Debt service is financed with special assessments levied against property owners within the respective improvement districts.

The ***Parking District Bonds Fund*** is used to accumulate funds for payment of the 1964 Parking District Municipal Improvement Bonds. Debt service is financed with property tax revenues.

Nonmajor Governmental Funds

The ***Government Center Certificates of Participation Fund*** is used to accumulate funds for the payment of the Certificates of Participation issued in 2001 to finance the acquisition of land and buildings for possible construction of a new government center. Debt service is financed with lease payments from the General Fund, the Water Supply and Distribution Fund, the Wastewater Management Fund and the Solid Water Management Fund.

Capital Projects Funds are used to account for major capital acquisition and construction activities. The specific capital project funds used by the City in this report are listed below:

The ***Infrastructure Renovation and Replacement Fund*** accounts for funds used for the City's long-term infrastructure renovation and replacement program.

The ***Redevelopment Agency Projects Fund*** accounts for the use of financial resources for Redevelopment Agency capital projects .

CITY OF SUNNYVALE**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003**

	Special Revenue			
	Community Development Block Grant	Housing	Park Dedication	Asset Forfeiture
Assets:				
Cash and Investments Held by City	\$ 860,796	\$ 11,695,231	\$ 1,117,355	\$ 2,286,942
Cash and Investments Held by Fiscal Agent	-	-	-	-
Receivables, Net	10,279	223,895	25,781	28,354
Intergovernmental Receivables	75,470	69,993	-	-
Due from Other Funds	-	-	-	-
Inventories and Prepayments	-	-	-	-
Housing Loans Receivable	10,054,959	7,420,885	-	-
Assets Held for Resale	-	-	-	-
Total Assets	\$ 11,001,504	\$ 19,410,004	\$ 1,143,136	\$ 2,315,296
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 16,347	\$ 944	\$ 917	\$ 2,455
Refundable Deposits	-	-	423,412	-
Due to Other Funds	-	-	-	-
Deferred Revenues	10,054,959	7,504,733	-	-
Total Liabilities	10,071,306	7,505,677	424,329	2,455
Fund Balances:				
Reserved :				
Housing Mitigation	-	2,638,333	-	-
Public Safety	-	-	-	1,737,625
Assets held for Resale	-	-	-	-
Traffic Congestion Relief	-	-	-	-
Low and Moderate Income Housing	-	-	-	-
Restricted Donations	-	-	-	-
Inventories and Prepayments	-	-	-	-
Debt Service	-	-	-	-
Total Reserved	-	2,638,333	-	1,737,625
Unreserved, Designated:				
Unrealized Gains (Losses)	-	263,972	44,297	72,413
Current Capital Projects	930,198	1,121,191	204,618	502,803
20-Year Resource Allocation Plan	-	7,880,831	469,892	-
Total Unreserved, Designated	930,198	9,265,994	718,807	575,216
Unreserved	-	-	-	-
Total Fund Balances (Deficit)	930,198	11,904,327	718,807	2,312,841
Total Liabilities and Fund Balances	\$ 11,001,504	\$ 19,410,004	\$ 1,143,136	\$ 2,315,296

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Special Revenue					
Police Services Augmentation	Parking District	Gas Tax	Transportation Development Act	Youth and Neighborhood Services	Redevelopment Agency
\$ 8,214	\$ 484,211	\$ 4,967,722	\$ -	\$ 1,179,347	\$ -
-	-	-	-	-	-
33	56,958	57,336	-	44,665	12,133
-	-	467,185	133,925	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 8,247</u>	<u>\$ 541,169</u>	<u>\$ 5,492,243</u>	<u>\$ 133,925</u>	<u>\$ 1,224,012</u>	<u>\$ 12,133</u>
\$ -	\$ 1,200	\$ 237,255	\$ -	\$ 5,580	\$ 316,021
-	-	-	-	-	-
-	-	-	133,925	-	4,661,606
-	-	-	-	-	-
<u>-</u>	<u>1,200</u>	<u>237,255</u>	<u>133,925</u>	<u>5,580</u>	<u>4,977,627</u>
-	-	-	-	-	-
2,753	-	-	-	-	-
-	-	-	-	-	-
-	-	697,808	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,753</u>	<u>-</u>	<u>697,808</u>	<u>-</u>	<u>-</u>	<u>-</u>
5,494	10,864	122,666	-	22,002	-
-	157,954	1,286,014	-	10,811	-
-	371,151	3,148,500	-	1,185,619	-
<u>5,494</u>	<u>539,969</u>	<u>4,557,180</u>	<u>-</u>	<u>1,218,432</u>	<u>-</u>
-	-	-	-	-	(4,965,494)
<u>8,247</u>	<u>539,969</u>	<u>5,254,988</u>	<u>-</u>	<u>1,218,432</u>	<u>(4,965,494)</u>
<u>\$ 8,247</u>	<u>\$ 541,169</u>	<u>\$ 5,492,243</u>	<u>\$ 133,925</u>	<u>\$ 1,224,012</u>	<u>\$ 12,133</u>

Continued

CITY OF SUNNYVALE**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003**

	Special Revenue			Permanent
	Low and Moderate Income Housing	Patent Library	Total	Swirsky Youth Opportunity
Assets:				
Cash and Investments Held by City	\$ -	\$ 214,809	\$ 22,814,627	\$ 2,737
Cash and Investments Held by Fiscal Agent	-	-	-	-
Receivables, Net	-	7,569	467,003	-
Intergovernmental Receivables	-	-	746,573	-
Due from Other Funds	4,661,606	-	4,661,606	-
Inventories and Prepayments	-	-	-	-
Housing Loans Receivable	-	-	17,475,844	-
Asset Held for Resale	-	-	-	555,000
Total Assets	\$ 4,661,606	\$ 222,378	\$ 46,165,653	\$ 557,737
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ -	\$ 9,668	\$ 590,387	\$ 238
Refundable Deposits	-	52,565	475,977	2,500
Due to Other Funds	-	-	4,795,531	68,584
Deferred Revenues	-	-	17,559,692	-
Total Liabilities	-	62,233	23,421,587	71,322
Fund Balances:				
Reserved :				
Housing Mitigation	-	-	2,638,333	-
Public Safety	-	-	1,740,378	-
Assets held for Resale	-	-	-	555,000
Traffic Congestion Relief	-	-	697,808	-
Low and Moderate Income Housing	4,661,606	-	4,661,606	-
Restricted Donations	-	-	-	-
Inventories and Prepayments	-	-	-	-
Debt Service	-	-	-	-
Total Reserved	4,661,606	-	9,738,125	555,000
Unreserved, Designated:				
Unrealized Gains (Losses)	-	5,089	546,797	-
Current Capital Projects	-	-	4,213,589	-
20-Year Resource Allocation Plan	-	155,056	13,211,049	-
Total Unreserved, Designated	-	160,145	17,971,435	-
Unreserved	-	-	(4,965,494)	(68,585)
Total Fund Balances (Deficit)	4,661,606	160,145	22,744,066	486,415
Total Liabilities and Fund Balances	\$ 4,661,606	\$ 222,378	\$ 46,165,653	\$ 557,737

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Permanent		Debt Service			
Fremont Pool	Total	ABAG Certificates of Participation	Special Assessment Bonds	Parking District Bonds	Government Center Certificates of Participation
\$ 810,174	\$ 812,911	\$ -	\$ 757,144	\$ 75,950	\$ -
-	-	434,679	-	-	1,244,977
9,720	9,720	5,442	9,055	-	9
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	385	-	-
-	-	-	-	-	-
-	555,000	-	-	-	-
<u>\$ 819,894</u>	<u>\$ 1,377,631</u>	<u>\$ 440,121</u>	<u>\$ 766,584</u>	<u>\$ 75,950</u>	<u>\$ 1,244,986</u>
\$ -	\$ 238	\$ -	\$ -	\$ -	\$ 27,412
-	2,500	-	-	-	-
-	68,584	-	-	-	-
-	-	-	-	-	-
-	71,322	-	-	-	27,412
-	-	-	-	-	-
-	-	-	-	-	-
-	555,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
802,934	802,934	-	-	-	-
-	-	-	385	-	-
-	-	440,121	748,175	75,950	1,217,574
<u>802,934</u>	<u>1,357,934</u>	<u>440,121</u>	<u>748,560</u>	<u>75,950</u>	<u>1,217,574</u>
16,960	16,960	-	18,024	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>16,960</u>	<u>16,960</u>	<u>-</u>	<u>18,024</u>	<u>-</u>	<u>-</u>
-	(68,585)	-	-	-	-
<u>819,894</u>	<u>1,306,309</u>	<u>440,121</u>	<u>766,584</u>	<u>75,950</u>	<u>1,217,574</u>
<u>\$ 819,894</u>	<u>\$ 1,377,631</u>	<u>\$ 440,121</u>	<u>\$ 766,584</u>	<u>\$ 75,950</u>	<u>\$ 1,244,986</u>

Continued

CITY OF SUNNYVALE**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003**

	Debt Service	Capital Projects		
		Infrastructure Renovation and Replacement	Redevelopment Agency Projects	
	Total			Total
Assets:				
Cash and Investments Held by City	\$ 833,094	\$ 21,382,229	\$ 1,499,538	\$ 22,881,767
Cash and Investments Held by Fiscal Agent	1,679,656	-	-	-
Receivables, Net	14,506	256,108	-	256,108
Intergovernmental Receivables	-	11,067	-	11,067
Due from Other Funds	-	-	-	-
Inventories and Prepayments	385	9,648	-	9,648
Housing Loans Receivable	-	-	-	-
Assets Held for Resale	-	-	-	-
Total Assets	\$ 2,527,641	\$ 21,659,052	\$ 1,499,538	\$ 23,158,590
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 27,412	\$ 507,941	\$ -	\$ 507,941
Refundable Deposits	-	-	-	-
Due to Other Funds	-	-	-	-
Deferred Revenues	-	-	-	-
Total Liabilities	27,412	507,941	-	507,941
Fund Balances:				
Reserved :				
Housing Mitigation	-	-	-	-
Public Safety	-	-	-	-
Assets held for Resale	-	-	-	-
Traffic Congestion Relief	-	-	-	-
Low and Moderate Income Housing	-	-	-	-
Restricted Donations	-	-	-	-
Inventories and Prepayments	385	-	-	-
Debt Service	2,481,820	-	-	-
Total Reserved	2,482,205	-	-	-
Unreserved, Designated:				
Unrealized Gains (Losses)	18,024	486,655	-	486,655
Current Capital Projects	-	6,998,192	1,499,538	8,497,730
20-Year Resource Allocation Plan	-	13,666,264	-	13,666,264
Total Unreserved, Designated	18,024	21,151,111	1,499,538	22,650,649
Unreserved	-	-	-	-
Total Fund Balances (Deficit)	2,500,229	21,151,111	1,499,538	22,650,649
Total Liabilities and Fund Balances	\$ 2,527,641	\$ 21,659,052	\$ 1,499,538	\$ 23,158,590

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**Total
Nonmajor
Governmental
Funds**

\$	47,342,399
	1,679,656
	747,337
	757,640
	4,661,606
	10,033
	17,475,844
	555,000
	<u>73,229,515</u>
\$	<u><u>73,229,515</u></u>

\$	1,125,978
	478,477
	4,864,115
	<u>17,559,692</u>
	<u>24,028,262</u>

	2,638,333
	1,740,378
	555,000
	697,808
	4,661,606
	802,934
	385
	<u>2,481,820</u>
	<u>13,578,264</u>

	1,068,436
	12,711,319
	<u>26,877,313</u>
	<u>40,657,068</u>
	<u>(5,034,079)</u>
	<u>49,201,253</u>
\$	<u><u>73,229,515</u></u>
	Concluded

CITY OF SUNNYVALE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2003

	Special Revenue			
	Community Development Block Grant	Housing	Park Dedication	Asset Forfeiture
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	1,803,672	275,659	-	-
Fines and Forfeitures	-	-	-	172,563
Special Assessments	-	-	-	-
Service Fees	-	758,475	-	-
Use of Money and Property	16,548	907,088	204,793	147,708
Other Revenues	975,168	469,315	-	50
Total Revenues	2,795,388	2,410,537	204,793	320,321
Expenditures:				
Current:				
Planning and Management	-	-	-	-
Public Safety	-	-	-	974,633
Community Development	1,693,445	1,542,754	10,142	-
Transportation	-	-	-	-
Socioeconomic	175,536	-	-	-
Cultural	-	-	-	-
Environmental Management	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	1,868,981	1,542,754	10,142	974,633
Excess of Revenues Over (Under) Expenditures	926,407	867,783	194,651	(654,312)
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	(316,464)	-	(1,031,311)	(103,021)
Total Other Financing Sources (Uses)	(316,464)	-	(1,031,311)	(103,021)
Net Change in Fund Balances	609,943	867,783	(836,660)	(757,333)
Fund Balances - Beginning of Year	320,255	11,036,544	1,555,467	3,070,174
Fund Balances - End of Year	\$ 930,198	\$ 11,904,327	\$ 718,807	\$ 2,312,841

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Special Revenue				
Police Services Augmentation	Parking District	Gas Tax	Transportation Development Act	Youth and Neighborhood Services
\$ -	\$ 79,233	\$ -	\$ -	\$ -
297,467	-	3,286,395	253,399	74,986
-	-	-	-	-
-	-	-	-	-
-	159,634	-	-	89,352
6,870	32,204	233,206	-	90,779
-	-	-	-	5,000
304,337	271,071	3,519,601	253,399	260,117
-	-	-	-	-
512,077	-	-	-	-
-	169,415	51,415	-	-
-	-	1,076,124	1,794	-
-	-	-	-	542,075
-	-	-	-	-
-	-	-	-	-
-	4,523,985	734,528	-	-
-	-	-	-	-
-	-	-	-	-
512,077	4,693,400	1,862,067	1,794	542,075
(207,740)	(4,422,329)	1,657,534	251,605	(281,958)
3,743	-	66,717	-	618,862
-	(73,101)	(421,434)	(251,605)	-
3,743	(73,101)	(354,717)	(251,605)	618,862
(203,997)	(4,495,430)	1,302,817	-	336,904
212,244	5,035,399	3,952,171	-	881,528
\$ 8,247	\$ 539,969	\$ 5,254,988	\$ -	\$ 1,218,432

Continued

CITY OF SUNNYVALE**Combining Statement of Revenues, Expenditures and Changes in Fund Balances****Nonmajor Governmental Funds****Year Ended June 30, 2003**

	Special Revenue			
	Redevelopment Agency	Low and Moderate Income Housing	Patent Library	Total
Revenues:				
Property Taxes	\$ 2,684,509	\$ -	\$ -	\$ 2,763,742
Intergovernmental Revenues	-	-	-	5,991,578
Fines and Forfeitures	-	-	-	172,563
Special Assessments	-	-	-	-
Service Fees	-	-	290,934	1,298,395
Use of Money and Property	-	-	10,988	1,650,184
Other Revenues	-	-	4,284	1,453,817
Total Revenues	2,684,509	-	306,206	13,330,279
Expenditures:				
Current:				
Planning and Management	291,052	-	-	291,052
Public Safety	-	-	-	1,486,710
Community Development	734,427	-	-	4,201,598
Transportation	-	-	-	1,077,918
Socioeconomic	-	-	-	717,611
Cultural	-	-	315,199	315,199
Environmental Management	-	-	-	-
Capital Outlay	-	-	-	5,258,513
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	1,025,479	-	315,199	13,348,601
Excess of Revenues Over (Under) Expenditures	1,659,030	-	(8,993)	(18,322)
Other Financing Sources (Uses):				
Transfers In	-	536,902	-	1,226,224
Transfers Out	(2,425,732)	-	-	(4,622,668)
Total Other Financing Sources (Uses)	(2,425,732)	536,902	-	(3,396,444)
Net Change in Fund Balances	(766,702)	536,902	(8,993)	(3,414,766)
Fund Balances - Beginning of Year	(4,198,792)	4,124,704	169,138	26,158,832
Fund Balances - End of Year	\$ (4,965,494)	\$ 4,661,606	\$ 160,145	\$ 22,744,066

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Permanent			Debt Service	
Swirsky Youth Opportunity	Fremont Pool	Total	ABAG Certificates of Participation	Special Assessment Bonds
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	299,290
-	-	-	-	-
28,200	44,189	72,389	18,308	30,578
-	52,421	52,421	-	-
28,200	96,610	124,810	18,308	329,868
5,048	-	5,048	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	265,000	240,000
-	-	-	145,777	49,039
5,048	-	5,048	410,777	289,039
23,152	96,610	119,762	(392,469)	40,829
-	-	-	397,131	-
-	(93,316)	(93,316)	-	-
-	(93,316)	(93,316)	397,131	-
23,152	3,294	26,446	4,662	40,829
463,263	816,600	1,279,863	435,459	725,755
\$ 486,415	\$ 819,894	\$ 1,306,309	\$ 440,121	\$ 766,584

Continued

CITY OF SUNNYVALE**Combining Statement of Revenues, Expenditures and Changes in Fund Balances****Nonmajor Governmental Funds****Year Ended June 30, 2003**

	Parking District Bonds	Debt Service Government Center Certificates of Participation	Total	Capital Projects Infrastructure Renovation and Replacement
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-	32,989
Fines and Forfeitures	-	-	-	-
Special Assessments	-	-	299,290	-
Service Fees	-	-	-	-
Use of Money and Property	-	34,582	83,468	1,069,327
Other Revenues	-	-	-	-
Total Revenues	-	34,582	382,758	1,102,316
Expenditures:				
Current:				
Planning and Management	-	-	-	239,749
Public Safety	-	-	-	-
Community Development	-	-	-	261,559
Transportation	-	-	-	279,537
Socioeconomic	-	-	-	-
Cultural	-	-	-	81,594
Environmental Management	-	-	-	80,081
Capital Outlay	-	-	-	1,656,921
Debt Service:				
Principal Retirement	70,000	370,000	945,000	-
Interest and Fiscal Charges	3,101	283,602	481,519	-
Total Expenditures	73,101	653,602	1,426,519	2,599,441
Excess of Revenues Over (Under) Expenditures	(73,101)	(619,020)	(1,043,761)	(1,497,125)
Other Financing Sources (Uses):				
Transfers In	73,101	548,966	1,019,198	2,495,334
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	73,101	548,966	1,019,198	2,495,334
Net Change in Fund Balances	-	(70,054)	(24,563)	998,209
Fund Balances - Beginning of Year	75,950	1,287,628	2,524,792	20,152,902
Fund Balances - End of Year	\$ 75,950	\$ 1,217,574	\$ 2,500,229	\$ 21,151,111

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Capital Projects		
Redevelopment Agency Projects	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 2,763,742
-	32,989	6,024,567
-	-	172,563
-	-	299,290
-	-	1,298,395
-	1,069,327	2,875,368
-	-	1,506,238
-	1,102,316	14,940,163
-	239,749	535,849
-	-	1,486,710
172	261,731	4,463,329
-	279,537	1,357,455
-	-	717,611
-	81,594	396,793
-	80,081	80,081
-	1,656,921	6,915,434
-	-	945,000
-	-	481,519
172	2,599,613	17,379,781
(172)	(1,497,297)	(2,439,618)
-	2,495,334	4,740,756
-	-	(4,715,984)
-	2,495,334	24,772
(172)	998,037	(2,414,846)
1,499,710	21,652,612	51,616,099
\$ 1,499,538	\$ 22,650,649	\$ 49,201,253

Concluded

CITY OF SUNNYVALE**Redevelopment Debt Service Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual****Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ (40,513,970)	\$ (40,513,970)	\$ (40,513,970)	\$ -
Resources (Inflows):				
Use of Money and Property	118,046	118,046	85,684	(32,362)
Transfers In	1,215,678	1,891,611	1,862,307	646,629
Total Resources	<u>1,333,724</u>	<u>2,009,657</u>	<u>1,947,991</u>	<u>614,267</u>
Charges to Appropriations (Outflows):				
Principal Retirement	650,000	650,000	650,000	-
Interest and Fiscal Charges	1,250,611	1,250,611	1,276,706	(26,095)
Interfund Interest	-	-	3,426,091	(3,426,091)
Transfers Out	-	-	-	-
Total Charges to Appropriations	<u>1,900,611</u>	<u>1,900,611</u>	<u>5,352,797</u>	<u>(3,452,186)</u>
Excess of Revenues Over (Under)				
Charges to Appropriations	<u>(566,887)</u>	<u>109,046</u>	<u>(3,404,806)</u>	<u>(2,837,919)</u>
Fund Balances, June 30, 2003	<u>\$ (41,080,857)</u>	<u>\$ (40,404,924)</u>	<u>\$ (43,918,776)</u>	<u>\$ (2,837,919)</u>

CITY OF SUNNYVALE**City Capital Projects Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual****Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ 30,077,518	\$ 30,077,518	\$ 30,077,518	\$ -
Resources (Inflows):				
Intergovernmental Revenues	2,897,040	24,684,539	9,095,405	(15,589,134)
Service Fees	131,375	131,375	265,287	133,912
Use of Money and Property	493,954	493,954	831,254	337,300
Other Revenues	-	1,321,318	33,896	(1,287,422)
Transfers In	9,297,100	10,058,119	9,958,281	(99,838)
Total Resources	12,819,469	36,689,305	20,184,123	(16,505,182)
Charges to Appropriations (Outflows):				
Planning and Management	-	1,507,564	564,535	943,029
Public Safety	28,399	2,201,319	-	2,201,319
Community Development	793,000	6,323,483	650,130	5,673,353
Transportation	2,509,300	5,211,173	1,340,073	3,871,100
Cultural	95,750	725,768	537,891	187,877
Environmental Management	380,774	1,592,745	35,693	1,557,052
Capital Outlay	11,724,644	41,874,105	18,903,446	22,970,659
Transfers Out	10,175,443	10,425,260	10,124,336	300,924
Total Charges to Appropriations	25,707,310	69,861,417	32,156,104	37,705,313
Excess of Revenues Over (Under)				
Charges to Appropriations	(12,887,841)	(33,172,112)	(11,971,981)	21,200,131
Fund Balances, June 30, 2003	\$ 17,189,677	\$ (3,094,594)	\$ 18,105,537	\$ 21,200,131

CITY OF SUNNYVALE**Community Development Block Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ 320,255	\$ 320,255	\$ 320,255	\$ -
Resources (Inflows):				
Intergovernmental Revenues	1,364,000	1,997,160	1,803,672	(193,488)
Use of Money and Property	10,104	10,104	16,548	6,444
Other Revenues	232,928	827,041	975,168	148,127
Total Resources	<u>1,607,032</u>	<u>2,834,305</u>	<u>2,795,388</u>	<u>(38,917)</u>
Charges to Appropriations (Outflows):				
Community Development	1,339,437	1,754,705	1,693,445	61,260
Socioeconomic	170,644	175,544	175,536	8
Transfers Out	300,000	300,000	316,464	(16,464)
Total Charges to Appropriations	<u>1,810,081</u>	<u>2,230,249</u>	<u>2,185,445</u>	<u>44,804</u>
Excess of Revenues Over (Under) Charges to Appropriations	<u>(203,049)</u>	<u>604,056</u>	<u>609,943</u>	<u>5,887</u>
Fund Balances, June 30, 2003	<u>\$ 117,206</u>	<u>\$ 924,311</u>	<u>\$ 930,198</u>	<u>\$ 5,887</u>

CITY OF SUNNYVALE**Housing Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ 11,036,544	\$ 11,036,544	\$ 11,036,544	\$ -
Resources (Inflows):				
Intergovernmental Revenues	642,364	1,392,656	275,659	(1,116,997)
Service Fees	-	-	758,475	758,475
Use of Money and Property	638,727	819,364	907,088	87,724
Other Revenues	1,045,366	803,677	469,315	(334,362)
Total Resources	<u>2,326,457</u>	<u>3,015,697</u>	<u>2,410,537</u>	<u>(605,160)</u>
Charges to Appropriations (Outflows):				
Community Development	1,640,362	5,305,713	1,542,754	3,762,959
Total Charges to Appropriations	<u>1,640,362</u>	<u>5,305,713</u>	<u>1,542,754</u>	<u>3,762,959</u>
Excess of Revenues Over (Under) Charges to Appropriations	<u>686,095</u>	<u>(2,290,016)</u>	<u>867,783</u>	<u>3,157,799</u>
Fund Balances, June 30, 2003	<u>\$ 11,722,639</u>	<u>\$ 8,746,528</u>	<u>\$ 11,904,327</u>	<u>\$ 3,157,799</u>

CITY OF SUNNYVALE**Park Dedication Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ 1,555,467	\$ 1,555,467	\$ 1,555,467	\$ -
Resources (Inflows):				
Use of Money and Property	72,066	105,126	204,793	99,667
Total Resources	72,066	105,126	204,793	99,667
Charges to Appropriations (Outflows):				
Community Development	7,293	7,293	10,142	(2,849)
Transfers Out	95,750	95,750	1,031,311	(935,561)
Total Charges to Appropriations	103,043	103,043	1,041,453	(938,410)
Excess of Revenues Over (Under)				
Charges to Appropriations	(30,977)	2,083	(836,660)	(838,743)
Fund Balances, June 30, 2003	\$ 1,524,490	\$ 1,557,550	\$ 718,807	\$ (838,743)

CITY OF SUNNYVALE**Asset Forfeiture Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ 3,070,174	\$ 3,070,174	\$ 3,070,174	\$ -
Resources (Inflows):				
Fines and Forfeitures	-	-	172,563	172,563
Use of Money and Property	115,362	115,362	147,708	32,346
Other Revenues	-	-	50	50
Total Resources	<u>115,362</u>	<u>115,362</u>	<u>320,321</u>	<u>204,959</u>
Charges to Appropriations (Outflows):				
Public Safety	478,969	1,530,824	974,633	556,191
Transfers Out	71,185	71,185	103,021	(31,836)
Total Charges to Appropriations	<u>550,154</u>	<u>1,602,009</u>	<u>1,077,654</u>	<u>524,355</u>
Excess of Revenues Over (Under)				
Charges to Appropriations	<u>(434,792)</u>	<u>(1,486,647)</u>	<u>(757,333)</u>	<u>729,314</u>
Fund Balances, June 30, 2003	<u>\$ 2,635,382</u>	<u>\$ 1,583,527</u>	<u>\$ 2,312,841</u>	<u>\$ 729,314</u>

CITY OF SUNNYVALE**Police Services Augmentation Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ 212,244	\$ 212,244	\$ 212,244	\$ -
Resources (Inflows):				
Intergovernmental Revenues	300,503	297,467	297,467	-
Use of Money and Property	2,500	2,500	6,870	4,370
Transfers In	4,496	3,743	3,743	-
Total Resources	<u>307,499</u>	<u>303,710</u>	<u>308,080</u>	<u>4,370</u>
Charges to Appropriations (Outflows):				
Public Safety	491,447	508,683	512,077	(3,394)
Total Charges to Appropriations	<u>491,447</u>	<u>508,683</u>	<u>512,077</u>	<u>(3,394)</u>
Excess of Revenues Over (Under)				
Charges to Appropriations	<u>(183,948)</u>	<u>(204,973)</u>	<u>(203,997)</u>	<u>976</u>
Fund Balances, June 30, 2003	<u>\$ 28,296</u>	<u>\$ 7,271</u>	<u>\$ 8,247</u>	<u>\$ 976</u>

CITY OF SUNNYVALE**Parking District Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ 5,035,399	\$ 5,035,399	\$ 5,035,399	\$ -
Resources (Inflows):				
Property Taxes	73,150	73,150	79,233	6,083
Service Fees	149,369	148,398	159,634	11,236
Use of Money and Property	21,814	21,814	32,204	10,390
Total Resources	<u>244,333</u>	<u>243,362</u>	<u>271,071</u>	<u>27,709</u>
Charges to Appropriations (Outflows):				
Community Development	188,777	190,701	169,415	21,286
Capital Outlay	-	4,987,117	4,523,985	463,132
Transfers Out	-	73,150	73,101	49
Total Charges to Appropriations	<u>188,777</u>	<u>5,250,968</u>	<u>4,766,501</u>	<u>484,467</u>
Excess of Revenues Over (Under) Charges to Appropriations	<u>55,556</u>	<u>(5,007,606)</u>	<u>(4,495,430)</u>	<u>512,176</u>
Fund Balances, June 30, 2003	<u>\$ 5,090,955</u>	<u>\$ 27,793</u>	<u>\$ 539,969</u>	<u>\$ 512,176</u>

CITY OF SUNNYVALE**Gas Tax Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ 3,952,171	\$ 3,952,171	\$ 3,952,171	\$ -
Resources (Inflows):				
Intergovernmental Revenues	3,323,303	3,465,708	3,286,395	(179,313)
Use of Money and Property	46,313	46,313	233,206	186,893
Transfers In	-	269,258	66,717	(202,541)
Total Resources	<u>3,369,616</u>	<u>3,781,279</u>	<u>3,586,318</u>	<u>(194,961)</u>
Charges to Appropriations (Outflows):				
Community Development	91,080	156,969	51,415	105,554
Transportation	1,749,183	2,154,586	1,076,124	1,078,462
Capital Outlay	60,500	1,333,145	734,528	598,617
Transfers Out	889,506	889,506	421,434	468,072
Total Charges to Appropriations	<u>2,790,269</u>	<u>4,534,206</u>	<u>2,283,501</u>	<u>2,250,705</u>
Excess of Revenues Over (Under) Charges to Appropriations	<u>579,347</u>	<u>(752,927)</u>	<u>1,302,817</u>	<u>2,055,744</u>
Fund Balances, June 30, 2003	<u>\$ 4,531,518</u>	<u>\$ 3,199,244</u>	<u>\$ 5,254,988</u>	<u>\$ 2,055,744</u>

CITY OF SUNNYVALE**Transportation Development Act Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental Revenues	-	620,572	253,399	(367,173)
Total Resources	-	620,572	253,399	(367,173)
Charges to Appropriations (Outflows):				
Transportation	-	-	1,794	(1,794)
Transfers Out	-	618,778	251,605	367,173
Total Charges to Appropriations	-	618,778	253,399	365,379
Excess of Revenues Over (Under)				
Charges to Appropriations	-	1,794	-	(1,794)
Fund Balances, June 30, 2003	\$ -	\$ 1,794	\$ -	\$ (1,794)

CITY OF SUNNYVALE**Youth and Neighborhood Services Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ 881,528	\$ 881,528	\$ 881,528	\$ -
Resources (Inflows):				
Intergovernmental Revenues	100,697	65,000	74,986	9,986
Service Fees	61,182	61,182	89,352	28,170
Use of Money and Property	50,999	50,999	90,779	39,780
Other Revenues	-	5,000	5,000	-
Transfers In	618,862	618,862	618,862	-
Total Resources	<u>831,740</u>	<u>801,043</u>	<u>878,979</u>	<u>77,936</u>
Charges to Appropriations (Outflows):				
Socioeconomic	887,000	1,098,886	542,075	556,811
Total Charges to Appropriations	<u>887,000</u>	<u>1,098,886</u>	<u>542,075</u>	<u>556,811</u>
Excess of Revenues Over (Under) Charges to Appropriations	<u>(55,260)</u>	<u>(297,843)</u>	<u>336,904</u>	<u>634,747</u>
Fund Balances, June 30, 2003	<u>\$ 826,268</u>	<u>\$ 583,685</u>	<u>\$ 1,218,432</u>	<u>\$ 634,747</u>

CITY OF SUNNYVALE**Redevelopment Agency Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ (4,198,792)	\$ (4,198,792)	\$ (4,198,792)	\$ -
Resources (Inflows):				
Property Taxes	2,401,565	2,151,565	2,684,509	532,944
Total Resources	2,401,565	2,151,565	2,684,509	532,944
Charges to Appropriations (Outflows):				
Planning and Management	31,000	726,549	291,052	435,497
Community Development	724,108	735,118	734,427	691
Transfers Out	1,595,996	2,221,929	2,425,732	(203,803)
Total Charges to Appropriations	2,320,104	3,683,596	3,451,211	232,385
Excess of Revenues Over (Under)				
Charges to Appropriations	81,461	(1,532,031)	(766,702)	765,329
Fund Balances, June 30, 2003	\$ (4,117,331)	\$ (5,730,823)	\$ (4,965,494)	\$ 765,329

CITY OF SUNNYVALE**Low and Moderate Income Housing Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ 4,124,704	\$ 4,124,704	\$ 4,124,704	\$ -
Resources (Inflows):				
Transfers In	480,313	430,313	536,902	106,589
Amount Available for Appropriation	480,313	430,313	536,902	106,589
Fund Balances, June 30, 2003	<u>\$ 4,605,017</u>	<u>\$ 4,555,017</u>	<u>\$ 4,661,606</u>	<u>\$ 106,589</u>

CITY OF SUNNYVALE**Patent Library Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ 169,138	\$ 169,138	\$ 169,138	\$ -
Resources (Inflows):				
Service Fees	423,300	289,811	290,934	1,123
Use of Money and Property	-	-	10,988	10,988
Other Revenues	-	-	4,284	4,284
Total Resources	<u>423,300</u>	<u>289,811</u>	<u>306,206</u>	<u>16,395</u>
Charges to Appropriations (Outflows):				
Cultural	429,960	438,843	315,199	123,644
Total Charges to Appropriations	<u>429,960</u>	<u>438,843</u>	<u>315,199</u>	<u>123,644</u>
Excess of Revenues Over (Under)				
Charges to Appropriations	<u>(6,660)</u>	<u>(149,032)</u>	<u>(8,993)</u>	<u>140,039</u>
Fund Balances, June 30, 2003	<u>\$ 162,478</u>	<u>\$ 20,106</u>	<u>\$ 160,145</u>	<u>\$ 140,039</u>

CITY OF SUNNYVALE**ABAG Certificates of Participation Debt Service Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ 416,985	\$ 416,985	\$ 435,459	\$ 18,474
Resources (Inflows):				
Use of Money and Property	-	-	18,308	18,308
Transfers In	-	410,548	397,131	(13,417)
Total Resources	-	410,548	415,439	4,891
Charges to Appropriations (Outflows):				
Principal Retirement	265,000	265,000	265,000	-
Interest and Fiscal Charges	145,548	145,548	145,777	(229)
Total Charges to Appropriations	410,548	410,548	410,777	(229)
Excess of Revenues Over (Under)				
Charges to Appropriations	(410,548)	-	4,662	4,662
Fund Balances, June 30, 2003	\$ 6,437	\$ 416,985	\$ 440,121	\$ 23,136

CITY OF SUNNYVALE***Parking District Bonds Debt Service Fund******Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003***

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ 75,950	\$ 75,950	\$ 75,950	\$ -
Resources (Inflows):				
Transfers In	-	73,150	73,101	(49)
Total Resources	-	73,150	73,101	(49)
Charges to Appropriations (Outflows):				
Principal Retirement	70,000	70,000	70,000	-
Interest and Fiscal Charges	3,150	3,150	3,101	49
Total Charges to Appropriations	73,150	73,150	73,101	49
Excess of Revenues Over (Under)				
Charges to Appropriations	(73,150)	-	-	-
Fund Balances, June 30, 2003	\$ 2,800	\$ 75,950	\$ 75,950	\$ -

CITY OF SUNNYVALE**Government Center Certificates of Participation Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ 1,246,652	\$ 1,246,652	\$ 1,287,628	\$ 40,976
Resources (Inflows):				
Use of Money and Property	-	-	34,582	34,582
Transfers In	1,003,451	1,003,451	548,966	(454,485)
Total Resources	<u>1,003,451</u>	<u>1,003,451</u>	<u>583,548</u>	<u>(419,903)</u>
Charges to Appropriations (Outflows):				
Principal Retirement	370,000	370,000	370,000	-
Interest and Fiscal Charges	272,958	272,958	283,602	(10,644)
Total Charges to Appropriations	<u>642,958</u>	<u>642,958</u>	<u>653,602</u>	<u>(10,644)</u>
Excess of Revenues Over (Under)				
Charges to Appropriations	<u>360,493</u>	<u>360,493</u>	<u>(70,054)</u>	<u>(430,547)</u>
Fund Balances, June 30, 2003	<u>\$ 1,607,145</u>	<u>\$ 1,607,145</u>	<u>\$ 1,217,574</u>	<u>\$ (389,571)</u>

CITY OF SUNNYVALE
Infrastructure Renovation and Replacement Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ 19,673,113	\$ 14,721,858	\$ 20,152,902	\$ 5,431,044
Resources (Inflows):				
Intergovernmental Revenues	-	653,606	32,989	(620,617)
Use of Money and Property	1,089,045	1,089,045	1,069,327	(19,718)
Transfers In	6,816,395	6,886,249	2,495,334	(4,390,915)
Total Resources	<u>7,905,440</u>	<u>8,628,900</u>	<u>3,597,650</u>	<u>(5,031,250)</u>
Charges to Appropriations (Outflows):				
Planning and Management	1,144,251	2,518,810	239,749	2,279,061
Community Development	220,772	697,231	261,559	435,672
Transportation	275,558	305,258	279,537	25,721
Cultural	23,593	144,254	81,594	62,660
Environmental Management	1,850,619	2,200,522	80,081	2,120,441
Capital Outlay	2,383,310	4,969,470	1,656,921	3,312,549
Total Charges to Appropriations	<u>5,898,103</u>	<u>10,835,545</u>	<u>2,599,441</u>	<u>8,236,104</u>
Excess of Revenues Over (Under)				
Charges to Appropriations	<u>2,007,337</u>	<u>(2,206,645)</u>	<u>998,209</u>	<u>3,204,854</u>
Fund Balances, June 30, 2003	<u>\$ 21,680,450</u>	<u>\$ 12,515,213</u>	<u>\$ 21,151,111</u>	<u>\$ 8,635,898</u>

CITY OF SUNNYVALE**Redevelopment Agency Capital Projects Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2003**

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Fund Balance, July 1, 2002	\$ 1,499,710	\$ 1,499,710	\$ 1,499,710	\$ -
Charges to Appropriations (Outflows):				
Capital Outlay	-	1,500,000	172	1,499,828
Total Charges to Appropriations	-	1,500,000	172	1,499,828
Fund Balances, June 30, 2003	\$ 1,499,710	\$ (290)	\$ 1,499,538	\$ (1,499,828)

Internal Service Funds

The ***General Services Fund*** accounts for charges to City departments for use of fleet equipment, building space, office equipment, print shop services and computer services on a cost reimbursement basis.

The ***Employee Benefits Fund*** accounts for charges to City departments for leave time and employee benefits on a cost reimbursement basis.

The ***Risk Management Fund*** accounts for charges to City departments for property and liability insurance on a cost reimbursement basis.

CITY OF SUNNYVALE

Combining Statement of Net Assets All Internal Service Funds June 30, 2003

	General Services	Employee Benefits	Risk Management	Totals
Assets:				
Current Assets				
Cash and Investments Held by City	\$ 24,869,033	\$ 32,801,368	\$ 1,420,947	\$ 59,091,348
Receivables, Net	385,267	521,691	17,049	924,007
Due from Other Governments	57,907	-	-	57,907
Inventories and Prepayments	25,774	21,350	-	47,124
Total Current Assets	25,337,981	33,344,409	1,437,996	60,120,386
Capital Assets:				
Depreciable Buildings, Property, Equipment and Infrastructure, Net	13,050,033	-	-	13,050,033
Total Assets	38,388,014	33,344,409	1,437,996	73,170,419
Liabilities:				
Current Liabilities				
Wages Payable	-	798,792	-	798,792
Accounts Payable and Accrued Liabilities	630,637	128,557	39,147	798,341
Refundable Deposits	30,097	352	-	30,449
Claims and Judgments Payable - Due Within One Year	-	4,224,569	260,123	4,484,692
Compensated Absences Payable - Due Within One Year	-	715,997	-	715,997
Total Current Liabilities	660,734	5,868,267	299,270	6,828,271
Noncurrent Liabilities				
Advances from Other Funds	2,965,291	-	-	2,965,291
Claims and Judgments Payable- Due in More than One Year	-	8,565,431	779,877	9,345,308
Compensated Absences Payable - Due in More than One Year	-	6,408,183	-	6,408,183
Total Noncurrent Liabilities	2,965,291	14,973,614	779,877	18,718,782
Total Liabilities	3,626,025	20,841,881	1,079,147	25,547,053
Net Assets:				
Invested in Capital Assets, Net of Related Debt	13,050,033	-	-	13,050,033
Unrestricted	21,711,956	12,502,528	358,849	34,573,333
Total Net Assets	\$ 34,761,989	\$ 12,502,528	\$ 358,849	\$ 47,623,366

CITY OF SUNNYVALE

Combining Statement of Revenues, Expenses and Changes in Net Assets
All Internal Service Funds
Year Ended June 30, 2003

	General Services	Employee Benefits	Risk Management	Totals
Operating Revenues:				
Charges for Services	\$ 16,053,547	\$ 31,467,365	\$ 1,119,107	\$ 48,640,019
Total Operating Revenues	16,053,547	31,467,365	1,119,107	48,640,019
Operating Expenses:				
Personnel Services	6,384,874	14,648,908	123,666	21,157,448
Contractual	2,166,870	348,537	123,659	2,639,066
Material and Supplies	2,359,895	39,689	8,771	2,408,355
Utilities	1,677,433	-	-	1,677,433
Taxes and Licenses	5,811	-	-	5,811
Equipment and Building Rental	986,745	54,998	12,340	1,054,083
Depreciation	1,806,670	-	-	1,806,670
Insurance Premiums and Claims	-	10,917,122	547,780	11,464,902
Retirement Premiums	-	8,477,314	-	8,477,314
Total Operating Expenses	15,388,298	34,486,568	816,216	50,691,082
Operating Income (Loss)	665,249	(3,019,203)	302,891	(2,051,063)
Nonoperating Revenues (Expenses):				
Investment Earnings	1,240,144	1,803,074	56,313	3,099,531
Capital Grants and Contributions	88,909	-	-	88,909
Miscellaneous Expenses	(23,775)	(44,242)	(355)	(68,372)
Interest Expense	(193,991)	-	-	(193,991)
Gain (Loss) on Disposal of Assets	36,353	-	-	36,353
Total Nonoperating Revenues (Expenses)	1,147,640	1,758,832	55,958	2,962,430
Income (loss) before Transfers	1,812,889	(1,260,371)	358,849	911,367
Transfers In	11,043,732	592,250	-	11,635,982
Transfers Out	(559,875)	-	-	(559,875)
Change in Net Assets	12,296,746	(668,121)	358,849	11,987,474
Net Assets - Beginning of Year	22,465,243	13,170,649	-	35,635,892
Net Assets - End of Year	\$ 34,761,989	\$ 12,502,528	\$ 358,849	\$ 47,623,366

CITY OF SUNNYVALE**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2003**

	General Services	Employee Benefits	Risk Management	Totals
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 16,180,071	\$ 31,451,178	\$ 1,119,107	\$ 48,750,356
Cash Payments to Suppliers of Goods and Services	(7,896,244)	(19,565,639)	(709,631)	(28,171,514)
Cash Payments to Employees for Services	(5,913,559)	(15,639,730)	(123,416)	(21,676,705)
Net Cash Provided by (Used for) Operating Activities	2,370,268	(3,754,191)	286,060	(1,097,863)
Cash Flows from Noncapital Financing Activities:				
Transfers Received	11,030,098	592,250	-	11,622,348
Transfers Paid	(559,875)	-	-	(559,875)
Nonoperating Miscellaneous Revenues (Expenses)	(25,663)	(37,032)	(317)	(63,012)
Net Cash Provided by (Used for) Noncapital Financing Activities	10,444,560	555,218	(317)	10,999,461
Cash Flows from Capital and Related Financing Activities:				
Capital Grants and Contributions	141,107	-	-	141,107
Acquisition and Construction of Capital Assets	(1,594,513)	-	-	(1,594,513)
Proceeds from Sale of Capital Assets	33,008	-	-	33,008
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,420,398)	-	-	(1,420,398)
Cash Flows from Investing Activities:				
Interest on Investments	1,057,605	1,814,699	50,616	2,922,920
Change in the Fair Value of Investments	58,115	75,293	3,298	136,706
Net Cash Provided by Investing Activities	1,115,720	1,889,992	53,914	3,059,626
Net Increase (Decrease) in Cash and Cash Equivalents	12,510,150	(1,308,981)	339,657	11,540,826
Cash and Cash Equivalents - Beginning of Year	12,358,883	34,110,349	1,081,290	47,550,522
Cash and Cash Equivalents - End of Year	\$ 24,869,033	\$ 32,801,368	\$ 1,420,947	\$ 59,091,348

CITY OF SUNNYVALE**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2003**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	665,249	(3,019,203)	302,891	(2,051,063)
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	\$ 1,806,670	\$ -	\$ -	1,806,670
Changes in Assets and Liabilities:				
Receivables, Net	(72,839)	16,816	-	(56,023)
Due from Other Governments	(57,907)			(57,907)
Inventories and Prepayments	134,031	(500)	-	133,531
Accounts Payable and Accrued Liabilities	(104,936)	(7,262,188)	9,169	(7,357,955)
Claims and Judgments Payable	-	(477,000)	(26,000)	(503,000)
Compensated Absences Payable	-	6,987,884	-	6,987,884
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 2,370,268</u></u>	<u><u>\$ (3,754,191)</u></u>	<u><u>\$ 286,060</u></u>	<u><u>\$ (1,097,863)</u></u>
Noncash Investing, Capital and Financing Activities:				
Purchase of Capital Assets on Account	22,500	-	-	22,500
Contribution of Capital Assets	13,634	-	-	13,634



Fiduciary Fund Financial Statements

Agency Funds:

The ***Community Facilities District Agency Fund*** accounts for the collection of property taxes and the payments to bondholders of Community Facilities District Special Tax Bonds.

The ***General Agency Fund*** accounts for funds given to the City for restricted purposes whereby the City is only acting as a passthrough agent.

CITY OF SUNNYVALE**Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003**

	Community Facilities District	General Agency	Total
Assets:			
Cash and Investments	\$ 1,771,765	\$ 98,242	\$ 1,870,007
Cash and Investments Held by Fiscal Agent	1,753,001	-	1,753,001
Accounts Receivable	4,560	-	4,560
Interest Receivable	-	1,199	1,199
Total Assets	\$ 3,529,326	\$ 99,441	\$ 3,628,767
Liabilities:			
Short-term Agency Payables	\$ 781,384	\$ 99,441	\$ 880,825
Due to Bondholders	2,747,942	-	2,747,942
Total Liabilities	\$ 3,529,326	\$ 99,441	\$ 3,628,767

CITY OF SUNNYVALE
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
Year Ended June 30, 2003

Community Facilities District	Beginning Balance July 1, 2002	Additions	Deletions	Ending Balance June 30, 2003
Assets:				
Cash and Investments	\$ -	\$ 1,771,765	\$ -	\$ 1,771,765
Cash and Investments Held by Fiscal Agent	22,905,633	-	(21,152,632)	1,753,001
Accounts Receivables	-	4,560	-	4,560
Total Assets	\$ 22,905,633	\$ 1,776,325	\$ (21,152,632)	\$ 3,529,326
Liabilities:				
Short-term Agency Payables	\$ -	\$ 781,384	\$ -	\$ 781,384
Due to Bondholders	22,905,633	-	(20,157,691)	2,747,942
Total Liabilities	\$ 22,905,633	\$ 781,384	\$ (20,157,691)	\$ 3,529,326

General Agency	Beginning Balance July 1, 2002	Additions	Deletions	Ending Balance June 30, 2003
Assets:				
Cash and Investments	\$ 348,290	\$ 21,990	\$ (272,038)	\$ 98,242
Interest Receivable	4,802	-	(3,603)	1,199
Total Assets	\$ 353,092	\$ 21,990	\$ (275,641)	\$ 99,441
Liabilities:				
Short-term Agency Payables	\$ 353,092	\$ 60,417	\$ (314,068)	\$ 99,441
Total Liabilities	\$ 353,092	\$ 60,417	\$ (314,068)	\$ 99,441

Capital Assets Used in the Operation of Governmental Funds

CITY OF SUNNYVALE**Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source
June 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
Governmental Funds Capital Assets:		
Land	104,032,562	\$ 119,171,150
Buildings	78,760,078	46,148,308
Improvements Other Than Buildings	57,099,286	55,287,983
Machinery and Equipment	2,969,509	2,607,826
Construction In Progress	10,327,170	20,930,960
Infrastructure:		
Nondepreciable	156,546,282	156,237,282
Depreciable	68,142,989	66,783,197
Total Governmental Funds Capital Assets	<u><u>\$ 477,877,876</u></u>	<u><u>\$ 467,166,706</u></u>
Investment In Governmental Funds Capital Assets by Source:		
General Fund	322,921,882	\$ 323,361,173
Special Revenue Funds	56,495,400	51,900,368
Capital Projects Funds	57,987,811	52,021,381
Contributions From Developers and Donations	40,472,783	39,883,784
Total Investment In General Fixed Assets	<u><u>\$ 477,877,876</u></u>	<u><u>\$ 467,166,706</u></u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF SUNNYVALE**Capital Assets Used in the Operation of Governmental Funds****Schedule by Function and Activity****Year Ended June 30, 2003**

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment
Planning and Management	\$ 20,681,843	\$ 13,110,316	\$ 3,006,503	\$ 450,138
Public Safety	1,252,625	2,248,093	4,690,634	469,908
Community Development	40,003,733	24,577,111	22,791,072	80,756
Transportation	18,283,828	36,595	10,909,460	75,115
Socioeconomic	-	2,072,176	1,118,120	313,517
Cultural	6,352,073	34,488,892	6,474,697	377,283
Environmental Management	17,458,460	2,226,895	8,108,800	1,202,792
Total Governmental Funds Capital Assets	\$ 104,032,562	\$ 78,760,078	\$ 57,099,286	\$ 2,969,509

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

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Construction in Progress	Infrastructure		Total
	Nondepreciable	Depreciable	
\$ -	\$ -	\$ -	\$ 37,248,800
-	-	-	8,661,260
448,456	-	-	87,901,128
8,397,889	156,546,282	68,142,989	262,392,158
906,033	-	-	4,409,846
56,998	-	-	47,749,943
517,794	-	-	29,514,741
<u>\$ 10,327,170</u>	<u>\$ 156,546,282</u>	<u>\$ 68,142,989</u>	<u>\$ 477,877,876</u>

CITY OF SUNNYVALE**Capital Assets Used in the Operation of Governmental Funds****Schedule of Changes by Function and Activity****Year Ended June 30, 2003**

	Governmental Funds Capital Assets			Adjustments Among Functions	Governmental Funds Capital Assets
Function and Activity	July 1, 2002	Additions	Deletions		June 30, 2003
Planning and Management	\$ 22,789,754	\$ 586,254	\$ (760,038)	\$ 14,632,830	\$ 37,248,800
Public Safety	8,941,729	57,553	(44,130)	(293,892)	8,661,260
Community Development	87,621,984	22,246,759	(24,505,042)	2,537,427	87,901,128
Transportation	300,364,361	7,554,791	(5,446,621)	(40,080,373)	262,392,158
Socioeconomic	3,431,005	880,369	(461,373)	559,845	4,409,846
Cultural	32,819,717	11,691,685	(2,045,584)	5,284,125	47,749,943
Environmental Management	11,198,156	1,030,656	(74,109)	17,360,038	29,514,741
Total Governmental Funds Capital Assets	\$ 467,166,706	\$ 44,048,067	\$ (33,336,897)	\$ -	\$ 477,877,876

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Statistical Section



CITY OF SUNNYVALE**Government-Wide Expenses by Function
Last Three Fiscal Years
Unaudited**

Functions	Fiscal Year		
	2002-03	2001-02	2000-01
Planning and Management	\$ 15,003,803	\$ 13,524,704	\$ 12,106,022
Public Safety	54,004,046	46,523,314	43,646,892
Community Development	21,068,059	19,914,417	22,641,194
Transportation	11,819,607	13,598,721	12,501,398
Socioeconomic	14,803,498	13,048,949	10,499,917
Cultural	8,812,068	9,160,387	7,577,481
Environmental Management	1,683,860	2,463,236	4,314,901
Interest on Long-term Debt	5,363,215	2,252,943	6,748,359
Water Supply and Distribution	16,144,013	15,106,493	15,150,916
Wastewater Management	15,006,869	15,471,536	14,753,066
Solid Waste Management	26,566,881	26,641,186	25,868,890
SMaRT Station	18,408,253	19,565,512	23,811,005
Community Recreation	9,471,683	9,008,015	8,497,576
Patent Library	-	669,378	923,626
Information Technology	13,080	5,420	10,526
Total	<u>\$ 218,168,935</u>	<u>\$ 206,954,211</u>	<u>\$ 209,051,769</u>

Source: City of Sunnyvale



CITY OF SUNNYVALE

**Government-Wide Revenues
Last Three Fiscal Years
Unaudited**

	Fiscal Year		
	2002-03	2001-02	2000-01
Program Revenues:			
Charges for Services	\$ 95,371,385	\$ 98,616,455	\$ 106,874,113
Operating Grants and Contributions	20,542,344	19,541,076	19,076,212
Capital Grants and Contributions	11,011,604	6,922,323	8,803,524
General Revenues:			
Property Taxes	26,858,179	25,824,300	23,068,621
Sales and Other Taxes	48,489,591	52,987,523	68,466,087
Grants and Contributions not Restricted to Specific Program	677,909	143,496	1,813,687
Investment Earnings - Unrestricted	17,330,039	18,715,714	20,392,651
Miscellaneous	33,415	121,719	367,598
Gain (Loss) on Disposal of Assets	406,157	(236,796)	5,282,170
Total	<u>\$ 220,720,623</u>	<u>\$ 222,635,810</u>	<u>\$ 254,144,663</u>

Source: City of Sunnyvale

CITY OF SUNNYVALE**General Governmental Expenditures by Function
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Planning and Management	Public Safety	Community Development	Transportation	Socio- Economic
1993-94	\$ 10,763,237	\$ 31,003,511	\$ 17,536,167	\$ 7,743,611	\$ 8,960,814
1994-95	9,997,559	32,062,406	16,275,249	9,886,792	11,637,614
1995-96	10,955,959	32,415,432	19,119,660	8,863,496	11,814,862
1996-97	14,808,386	33,777,943	16,284,747	10,384,969	11,549,648
1997-98	8,941,386	36,592,080	20,679,249	7,427,576	10,477,049
1998-99	9,638,668	38,951,968	20,486,886	8,494,140	14,088,943
1999-00	11,634,862	40,491,106	21,228,199	15,885,002	14,209,890
2000-01	11,540,447	41,736,504	46,390,990	26,837,352	10,559,903
2001-02	17,165,510	44,571,028	28,088,659	20,947,607	13,097,909
2002-03	21,295,266	52,777,479	27,070,786	16,226,815	15,275,919

Notes: This table includes the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. It includes current, capital outlay, and debt service expenditures.

The debt service and capital outlay expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds have been reclassified into the various functions shown above for purposes of this table.

Source: City of Sunnyvale

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	Cultural	Environmental Management	Total
\$	4,670,617	\$ 1,059,650	\$ 81,737,607
	5,337,115	1,112,311	86,309,046
	4,759,227	1,438,435	89,367,071
	4,958,311	8,014,471	99,778,475
	5,210,963	1,654,386	90,982,689
	7,465,781	1,688,877	100,815,263
	5,718,177	1,734,441	110,901,677
	6,833,222	2,187,710	146,086,128
	9,136,041	3,159,423	136,166,177
	16,906,970	2,270,756	151,823,991

CITY OF SUNNYVALE

**General Governmental Revenues by Source
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Taxes	Federal and State Grants	Permits and Licenses	Fines and Forfeitures	Service Fees
1993-94	\$ 47,214,313	\$ 17,952,141	\$ 2,085,066	\$ 628,882	\$ 1,872,820
1994-95	47,100,951	21,043,168	1,853,941	547,794	1,276,822
1995-96	52,457,703	21,778,469	2,281,064	570,291	1,522,591
1996-97	55,495,747	19,049,647	2,690,873	432,900	1,459,944
1997-98	59,166,507	19,107,152	2,555,279	426,474	1,569,022
1998-99	60,067,096	21,298,510	3,140,646	780,110	2,297,862
1999-00	69,502,406	23,713,621	5,379,099	1,331,709	4,009,876
2000-01	81,330,839	24,764,525	6,415,077	803,699	5,088,330
2001-02	67,174,984	31,409,151	4,391,446	1,646,481	3,493,353
2002-03	63,228,037	36,500,455	3,133,125	782,421	3,123,289

Note: This table includes the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

Source: City of Sunnyvale

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Other Grants and Contributions	Other Revenues	Total
\$ 562,752	\$ 13,020,301	\$ 83,336,275
542,486	13,321,892	85,687,054
711,609	15,068,234	94,389,961
3,447,256	16,404,868	98,981,235
1,869,428	13,977,716	98,671,578
2,362,255	12,223,475	102,169,954
6,305,809	12,749,269	122,991,789
10,113,610	21,733,239	150,249,319
1,119,604	21,677,677	130,912,696
765,480	16,867,600	124,400,407

CITY OF SUNNYVALE

**General Governmental Tax Revenues by Source
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Property	Sales and Use	Transient Occupancy	Utility Users	Business Licenses
1993-94	\$ 16,343,336	\$ 21,460,973	\$ 3,483,701	\$ 4,363,278	\$ 268,061
1994-95	16,113,423	21,753,712	3,911,639	3,934,883	261,893
1995-96	16,487,931	25,450,209	5,011,073	3,855,092	274,459
1996-97	16,510,773	26,689,400	6,092,326	4,008,743	279,960
1997-98	17,423,550	27,855,279	7,273,406	4,393,051	270,491
1998-99	19,582,841	26,242,398	7,566,346	4,138,976	265,738
1999-00	21,097,901	31,253,028	9,774,786	4,394,678	263,253
2000-01	22,836,085	37,620,492	10,735,482	5,858,804	287,252
2001-02	25,595,165	27,269,784	6,320,197	5,687,657	249,753
2002-03	26,631,929	24,029,237	5,094,489	5,651,673	269,263

Note: This table includes the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

Source: City of Sunnyvale

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Real Property Transfer	Other Construction	Special Assessments	Total
\$ 270,684	\$ 682,417	\$ 341,863	\$ 46,872,450
274,257	552,797	298,347	46,802,604
454,784	764,155	160,000	52,297,703
540,307	1,072,546	301,692	55,194,055
671,981	989,313	289,436	58,877,071
742,253	1,215,677	312,867	59,754,229
641,088	1,780,104	297,568	69,204,838
855,751	2,419,062	717,911	80,612,928
534,274	1,221,584	296,570	67,174,984
579,875	672,281	299,290	63,228,037

CITY OF SUNNYVALE

**Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections (1)	Total Tax Collections	Total Collections as a Percent of Current Levy
1993-94 (2)	\$ 15,430,251	\$ 15,601,906	101.11%	\$ 741,430	\$ 16,343,336	105.92%
1994-95	15,687,660	15,546,058	99.10%	567,365	16,113,423	102.71%
1995-96	15,577,082	15,736,120	101.02%	751,811	16,487,931	105.85%
1996-97	15,542,680	16,000,733	102.95%	510,040	16,510,773	106.23%
1997-98	16,307,175	16,828,602	103.20%	594,948	17,423,550	106.85%
1998-99	19,404,406	18,877,897	97.29%	704,941	19,582,838	100.92%
1999-00	20,357,281	20,314,902	99.79%	783,000	21,097,902	103.64%
2000-01	22,239,752	22,028,206	99.05%	807,879	22,836,085	102.68%
2001-02	23,550,640	25,052,318	106.38%	542,847	25,595,165	108.68%
2002-03	24,585,437	25,962,607	105.60%	669,322	26,631,929	108.32%

Notes: (1) Delinquent tax collections include interest penalties.

(2) Beginning in fiscal year 1992-93, total tax levy and current tax collections are net of State property tax shifts.

Sources: City of Sunnyvale
County of Santa Clara

CITY OF SUNNYVALE

**Assessed Value of Taxable Property
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Net Local Secured Roll	State Board of Equalization	Total Secured Roll	Net Unsecured Collections (1)	Total Tax Net Secured and Unsecured
1993-94	\$ 9,052,714,345	\$ 1,020,653	\$ 9,053,734,998	\$ 1,644,661,245	\$ 10,698,396,243
1994-95	9,167,365,490	1,088,719	9,168,454,209	1,371,292,884	10,539,747,093
1995-96	9,215,678,064	1,277,967	9,216,956,031	1,333,692,984	10,550,649,015
1996-97	9,362,948,496	483,379	9,363,431,875	1,377,136,404	10,740,568,279
1997-98	9,739,808,806	679,398	9,740,488,204	1,605,384,802	11,345,873,006
1998-99	10,925,933,371	846,321	10,926,779,692	2,185,723,139	13,112,502,831
1999-00	11,844,296,549	582,537	11,844,879,086	1,911,527,934	13,756,407,020
2000-01	12,767,265,619	525,935	12,767,791,554	1,933,588,029	14,701,379,583
2001-02	14,324,852,110	575,800	14,325,427,910	2,515,860,419	16,841,288,329
2002-03	14,879,162,575	554,367	14,879,716,942	2,970,203,822	17,849,920,764

Notes: Chapter 921 of the Statutes of 1987 requires the establishment of a single County wide tax rate area for the assignment of the assessed value of certain types of State-assessed utility property, sets forth formulas for the determination of County wide tax rates for these particular types of property and how to distribute the resulting taxes. Assessed valuations within the statutory County wide tax rate area are included in the above assessed State Board of Equalization column.

Source: County of Santa Clara Assessor

CITY OF SUNNYVALE**Property Tax Levies and Collection Rates
Last Ten Fiscal Years
Unaudited**

Fiscal Year	City-Wide Property Tax Rate						Parking District (1)
	City	County	School Districts	Special Districts	Total		
1993-94	- %	1.0305 %	0.0193 %	0.0117 %	1.0615 %		0.3675 %
1994-95	-	1.0332	0.0078	0.0115	1.0525		0.3675
1995-96	-	1.0338	0.0261	0.0098	1.0697		0.3675
1996-97	-	1.0341	0.0142	0.0102	1.0585		0.3675
1997-98	-	1.0388	0.0140	0.0098	1.0626		0.2532
1998-99	-	1.0388	0.0392	0.0082	1.0862		0.0619
1999-00	-	1.0319	0.0384	0.0085	1.0788		0.0590
2000-01	-	1.0356	0.0535	0.0075	1.0966		0.0520
2001-02	-	1.0364	0.0540	0.0062	1.0966		0.0540
2002-03	-	1.0388	0.0683	0.0072	1.1143		0.0522

Notes: Tax rates stated are the rates applicable to the tax area having the highest assessed valuation of all areas within the City of Sunnyvale.

Tax rate limit: A state constitutional amendment (Proposition 13) commencing with fiscal year 1978-79, provided that the tax rate be limited to 1% of full cash value, levied only by the County and shared with all other jurisdictions. The total tax rate is greater than 1% because all jurisdictions may levy a tax rate for voter approved debt.

Due date for current taxes: First installment - November 1; second installment - February 1.

Date taxes become delinquent: First installment - December 10; second installment - April 10.

Penalties for delinquency: 10% and \$10.00 cost after date taxes become delinquent.

Collected by governmental unit: County of Santa Clara.

Rates applied to: Per \$100 assessed valuation.

The City issued voter-approved municipal improvement bonds for public parking improvements in the downtown area. The debt is repaid through property taxes assessed only on parcels in the parking district.

Source: County of Santa Clara

CITY OF SUNNYVALE

**Largest Property Tax Payers
Year Ended June 30, 2003
Unaudited**

Taxpayer	Type of Business	2002-03 Valuation	% of Total Assessed Value
Lockheed Martin Corporation	Aerospace	\$ 924,377,244	5.10%
Applied Materials Inc.	Semiconductors Manufacturing	428,242,634	2.36%
A M D Properties Inc.	Electronic Manufacturing	308,642,063	1.70%
Sunnyvale LLC	Real Estate	30,323,300	0.17%
Network Appliance Inc.	Network Data Storage and Management	227,939,239	1.26%
Bay Apartment Communities Inc.	Real Estate	189,170,712	1.04%
M F Downtown Sunnyvale LLC	Real Estate	21,282,540	0.12%
Lease Plan North America Inc	Real Estate	153,000,000	0.84%
Menlo & Juniper Networks LLC	Internet Infrastructure Provider	138,295,000	0.76%
Maxim Integrated Products Inc.	Integrated Circuits Manufacturing	129,788,210	0.72%
Total		\$ 2,551,060,942	14.07%

Sources: City of Sunnyvale
Santa Clara County Assessor

CITY OF SUNNYVALE

**Special Assessment Collections
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Current Assessments Due	Current Assessments Collected	Percent of Collections to Amount Due	Total Outstanding Principal, Interest and Delinquent Assessments
1993-94	\$ 361,043	\$ 341,863	94.7%	\$ 3,027,568
1994-95	297,623	297,623	100.0%	2,692,075
1995-96	297,572	297,573	100.0%	2,394,502
1996-97	301,692	301,692	100.0%	2,092,810
1997-98	299,617	289,436	96.6%	1,793,192
1998-99	301,668	301,668	100.0%	1,491,525
1999-00	297,568	297,568	100.0%	1,193,957
2000-01	297,658	297,658	100.0%	896,299
2001-02	296,570	296,570	100.0%	599,730
2002-03	299,290	299,290	100.0%	-

Notes: At June 30, 2003, there are no outstanding principal, interest and delinquent assessments. Interest earned on special assessments collected from prior years is sufficient to cover assessments due in fiscal year 2003-04.

Source: City of Sunnyvale

CITY OF SUNNYVALE

Computation of Legal Debt Margin**June 30, 2003****Unaudited**

Total assessed value (Net)	<u><u>\$ 17,849,920,764</u></u>
Debt limit - 15% of total assessed value (Note)	<u>2,677,488,115</u>
Amount of debt applicable to debt limit:	
Total bonded debt	95,157,391
Less:	
Special Assessment Bonds	(540,000)
Utilities Revenue Bonds, Series 1992 B	(30,739,859)
Water and Wastewater Revenue Bonds, Series 2001	<u>(20,442,532)</u>
Total amount applicable to debt limit	<u>43,435,000</u>
Legal debt margin	<u><u>\$ 2,634,053,115</u></u>

Notes: Section 1308 of the City Charter of the City of Sunnyvale, California, states: "The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen (15%) percent of the total assessed valuation of property within the City, exclusive of any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending or maintaining municipally owned utilities, for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to provisions of the State Constitution and of this Charter."

Source: City of Sunnyvale

CITY OF SUNNYVALE

**Ratio of Annual Debt Service Expenditures to Total
General Governmental Expenditures
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Principal Expenditures	Interest Expenditures	Total Debt Service Expenditures	Total General Expenditures	Percent of Debt Service to General Expenditures
1993-94	\$ 685,000	\$ 1,920,017	\$ 2,605,017	\$ 81,690,607	3.2%
1994-95	940,000	1,662,218	2,602,218	86,309,046	3.0%
1995-96	620,000	1,917,594	2,537,594	89,367,071	2.8%
1996-97	725,000	1,814,835	2,539,835	99,778,475	2.5%
1997-98	765,000	1,821,727	2,586,727	90,982,689	2.8%
1998-99	885,000	1,647,878	2,532,878	100,815,263	2.5%
1999-00	1,065,000	1,599,579	2,664,579	110,901,677	2.4%
2000-01	13,558,248	3,279,586	16,837,834	146,325,954	11.5%
2001-02	1,535,000	1,779,016	3,314,016	136,166,177	2.4%
2002-03	1,595,000	1,647,801	3,242,801	151,823,991	2.1%

Notes: Debt service expenditures include payments for certificates of participation, Redevelopment Agency Tax Allocation Bonds, Parking District Bonds and Special Assessment Bonds. Fiscal year 2000-01 principal expenditures include the partial redemption and in-substance defeasance of the Community Facilities District No. 1 Bond Anticipation Notes. The Notes have been replaced by special assessment debt with no governmental commitment.

Source: City of Sunnyvale

CITY OF SUNNYVALE**Computation of Direct and Overlapping Debt****June 30, 2003****Unaudited**

	Net Debt Outstanding	Percent Applicable to City of Sunnyvale	City of Sunnyvale's Share of Debt
Direct Debt (1):			
City of Sunnyvale Certificates of Participation	\$ 20,470,000	100.000%	\$ 20,470,000
City of Sunnyvale Parking Facility Certificates of Participation	15,450,000	100.000%	15,450,000
Total Gross Direct Debt	35,920,000		35,920,000
Overlapping Debt (2):			
City of Sunnyvale 1915 Act Bonds	540,000	100.000%	540,000
City of Sunnyvale Parking Districts	75,000	100.000%	75,000
City of Sunnyvale Community Facilities District No. 1 Special Tax Bonds	36,000,000	100.000%	36,000,000
Cupertino Union School District & Certificates of Participation	132,244,554	14.369%	19,002,220
El Camino Hospital Authority	1,220,001	39.699%	484,328
Foothill Community College District Certificates of Participation	26,420,000	24.950%	6,591,790
Foothill-De Anza Community College District	103,940,036	24.950%	25,933,039
Fremont Union High School District	134,825,001	50.938%	68,677,159
Midpeninsula Regional Open Space Park District Certificates of Participation	108,115,182	17.073%	18,458,505
Mountain View School District & Certificates of Participation	32,845,014	3.610%	1,185,705
Mountain View-Los Altos Union High School District & Certificates of Participation	52,107,447	1.410%	734,715
Los Altos School District	84,584,192	0.291%	246,140
Santa Clara County General Fund Obligations	606,500,000	9.732%	59,024,580
Santa Clara County Board of Education Certificates of Participation	19,019,996	9.732%	1,851,026
Santa Clara County Flood Control Districts NC-1	214,999	31.416%	67,544
Santa Clara County Flood Control Districts W-1	7,040,002	11.627%	818,541
Santa Clara Unified School District Certificates of Participation	133,015,000	12.340%	16,414,051
Santa Clara Valley Water District Benefit Assessment District	203,669,996	9.732%	19,821,164
Sunnyvale School District & Certificates of Participation	31,284,948	98.808%	30,912,031
West Valley-Mission Community College District Certificates of Participation	24,760,004	4.793%	1,186,747
Total Gross Overlapping Debt	1,738,421,371		308,024,285
Less: Santa Clara Valley Flood Control Districts NC-1 (100% self-supporting)	(214,999)		(67,544)
Less: El Camino Hospital Authority Bonds (100% self-supporting)	(1,220,001)		(484,328)
Total Net Overlapping Debt	1,736,986,372		307,472,413
Total Net Direct and Overlapping Debt	\$ 1,772,906,372		\$ 343,392,413
Ratios to Assessed Valuation:			
Total Gross Direct Debt		0.203%	
Total Gross Direct and Overlapping Debt		1.940%	
Total Net Direct and Overlapping Debt		1.937%	

Notes: 1) Direct Debt excludes revenue bonds reported in the enterprise funds and Redevelopment Agency Central Core tax Allocation Bonds

2) Overlapping debt excludes tax and revenue anticipation notes, revenue bonds, mortgage revenue bonds, tax, allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.
City of Sunnyvale

CITY OF SUNNYVALE
Revenue Bond Coverage
Utilities Revenue Bonds
Last Ten Fiscal Years
Unaudited

Fiscal Year	Gross Revenues (1)		Operating Expenses (1)		Net Revenue Available for Debt Service	Debt Service Requirements	
						Principal	Interest
1993-94	\$	51,533,890	\$	41,294,102	\$ 10,239,788	\$ 875,000	\$ 2,780,503
1994-95		56,535,356		49,520,018	7,015,338	985,000	2,739,258
1995-96		60,123,878		51,973,230	8,150,648	1,020,000	2,692,115
1996-97		61,729,325		52,000,166	9,729,159	1,065,000	2,670,403
1997-98	(2)	73,147,365		62,280,271	10,867,094	1,115,000	2,584,940
1998-99		73,991,424		64,090,529	9,900,895	1,175,000	2,525,187
1999-00		81,842,111		69,929,344	11,912,767	1,235,000	2,460,758
2000-01		84,988,282		70,569,839	14,418,443	1,300,000	2,391,680
2001-02		78,720,094		68,246,693	10,473,401	1,375,000	2,162,858
2002-03		79,898,321		67,920,620	11,977,701	1,895,000	2,152,194

Notes: (1) Includes operating and non-operating revenues and operating expenses, exclusive of depreciation, in Water Supply and Distribution Fund, Wastewater Management Fund, Solid Waste Management Fund and SMaRT Station Fund.

(2) Beginning in fiscal year 1997-98, the Governmental Accounting Standards Board required reporting change in fair value of investments as a element of investment income.

Source: City of Sunnyvale

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	<u>Total</u>	<u>Coverage</u>
\$	3,655,503	2.8
	3,724,258	1.9
	3,712,115	2.2
	3,735,403	2.6
	3,699,940	2.9
	3,700,187	2.7
	3,695,758	3.2
	3,691,680	3.9
	3,537,858	3.0
	4,047,194	3.0

CITY OF SUNNYVALE***Schedule of Insurance in Force
Year Ended June 30, 2003
Unaudited***

Name of Company	Policy Number	Policy Period		Types of Insurance and Details of Coverage
		From	to	
California Joint Powers Risk Management Authority, et al	Various	7/1/2002	7/1/2003	Buildings, equipment, stock, improvements and betterments, business interruption, extra expense and rental values
Hartford Fire Insurance Company	57PEBHD2876	7/1/2000	7/1/2003	Comprehensive crime coverage for theft or forgery
California Joint Powers Risk Management Authority, et al	FBP4909988	7/1/2002	7/1/2003	Boiler and machinery explosion or destruction
Hartford	Various	2/27/2002	7/1/2003	Public official's bonds
Discover Property and Casualty Insurance Co	D003X00006	7/1/2001	7/1/2004	Excess workers' compensation
California Joint Powers Risk Management Authority	Not Applicable	7/1/2002	7/1/2003	Excess commercial general and automobile liability

Source: City of Sunnyvale, Department of Human Resource

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Liability Limits	Deductible	Annual Premiums
\$200,000,000 per occurrence	\$25,000	\$54,938
\$10,000 to \$500,000	\$1,000 to \$5,000	\$3,835
\$200,000 to \$15,000,000	\$1,000 to \$5,000	\$6,240
\$250,000 to \$1,000,000	None	\$11,425
\$275,000 to \$1,000,000	\$275,000	\$160,000
\$24,500,000	\$500,000	\$601,305

CITY OF SUNNYVALE

**Construction and Bank Deposits
Last Ten Fiscal Years
Unaudited**

<u>Fiscal Year</u>	<u>Construction Permits (1)</u>		<u>Bank Deposits (2)</u>
	<u>Number Issued</u>	<u>Value</u>	
1994-95	4,257	\$ 130,281,008	\$ 3,214,617,000
1995-96	4,607	130,313,793	3,335,924,000
1996-97	4,310	23,991,360	3,602,404,000
1997-98	4,573	216,512,481	4,104,517,000
1998-99	4,862	268,601,577	4,159,155,000
1999-00	4,822	319,899,043	4,482,703,000
2000-01	4,502	518,800,635	5,057,984,000
2001-02	3,968	282,942,262	5,503,823,000
2002-03	3,926	152,149,181	5,707,127,000

Sources: (1) City of Sunnyvale Community Development Department
(2) The Findley Reports

CITY OF SUNNYVALE

**Demographic Statistics
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Population	Per Capita Personal Income (1)	School Enrollment	Unemployment Rate	Civilian Labor Force
1994-95	125,959	29,910	12,552	4.40%	73,917
1995-96	126,113	32,488	N/A	3.10%	76,233
1996-97	126,764	34,675	21,848	2.70%	80,259
1997-98	131,127	34,675	22,545	2.70%	81,996
1998-99	132,940	40,185	30,133	2.80%	82,083
1999-00	133,215	45,733	30,453	1.90%	86,350
2000-01	132,187	55,677	30,285	3.80%	86,248
2001-02	132,825	51,579	13,329	6.70%	81,328
2002-03	132,500	N/A	15,365	7.40%	78,495

Note: (1) For Santa Clara County.

Source: State of California, Department of Finance
U.S. Department of Commerce, Bureau of Economic Analysis
Cupertino Union School District, Fremont Union High School District, Santa Clara Unified
School District and Sunnyvale School District
U.S. Department of Labor, Bureau of Labor Statistics

CITY OF SUNNYVALE

**Miscellaneous Statistical Data
Year Ended June 30, 2003
Unaudited**

Date of Incorporation	December 24, 1912	Police and Fire Protection	
		Number of Sworn Employees	243
Date of Charter Adoption		Number of Fire Stations	6
First Charter Adopted	May 18, 1949	Number of Vehicular Patrol Units	51
Present Charter Adopted	November 5, 1991	Number of Jail Facilities	1 (with 6 cells)
Form of Government	Council-Manager	Water Utility:	
		Number of Users	28,206
Land Area (Square Miles)	31	Annual Consumption per Acre	2
		Miles of Distribution Lines	300
Population	132,500	Storage Capacity in Gallons	27,500,000
Elections:		Sewer Utility:	
Date of Last General Election	November 5, 2002	Number of Sewer Connections	27,328
Number of Registered Voters	55,016	Plant Capacity in Gallons per Day	29,500,000
Number of Votes Cast	28,485	Miles of Sanitary Sewer Mains	327
Recreation:		Streets and Lights	
City Parks	21	Miles of Streets	300
City Park Acreage	847	Miles of Storm Drains	150
Regional Park	1	Number of Street Lights	8,897
Golf Courses : 18-Hole	1	Number of Intersections with Traffic Signals	129
9-Hole Course	1		
Swimming Pools	6	Employees:	
Tennis Courts	38	Full Time, Excluding Police and Fire	690
Community Center	1	Other (Part Time, Including Summer Help)	383
Senior Center	1		
Skate Park	1	Public Education:	
Columbia Neighborhood Center	1	Number of Elementary Schools	13
		Number of Middle Schools	4
		Number of High Schools	2

Source: City of Sunnyvale
Santa Clara County Registrar of Voters

For questions regarding this publication or to request additional copies, contact:

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